Austria	Sch30	Indonesia	Rp3000	Pakistan	Rs35
Bahrain	Din1.000	Israel	Shk5.50	Philippines	Pso45
Belgium	BFr60	Italy	L2500	Poland	Zl 18,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es180
Czech	Kcs35	Korea	Won 2500	Qatar	QR10.00
Denmark	DKr14	Kuwait	Fils.500	S.Arabia	SR9.00
Egypt	E£4.00	Lebanon	L£1,250	Singapore	S$4.10
Finland	FM10	Lux	LFr60	Spain	Pta200
France	FFr8.00	Malta	Lm0.50	Sweden	SKr14
Germany	DM3.30	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.25	Thailand	Bht50
Hungary	Ft162	Nigeria	Naira20	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr15.00	Turkey	L8000
India	Rs20	Oman	OR1.20	UAE	Dh9.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Newspaper of the Year

Wednesday March 11 1992

D 8523A

OLYMPIC GAMES
Cities keep their eyes on the prize
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World News

Compromise offers revive EC-US talks on trade

Top US and EC officials will meet today after the two sides exchanged fresh compromise proposals on the Uruguay Round of trade talks, European Commission president Jacques Delors said.

Neither side would detail the new offers, but an EC official said US president George Bush recently wrote to Mr Delors offering a slightly softer position on farm subsidies. Trade, Page 3

Job for Shevardnaze
Former Soviet foreign minister Eduard Shevardnadze is to head Georgia's State Council, which has been vested with executive and legislative power in the aftermath of civil war.

De Klerk threatened
South Africa's neo-Nazi Afrikaner Resistance Movement threatened more attacks on president F.W. de Klerk. The president was forced to flee a referendum campaign meeting on Monday when he was attacked with teargas. Page 4; Businessmen put money behind 'yes' vote, Page 18.

Russian border pledge
Russia's ecology and natural resources minister Viktor Danilov-Danilyan promised to tighten border controls after two former Soviet citizens were caught trying to sell uranium in Germany on Monday.

Cargo reaches Iran
One of two North Korean freighters thought to be carrying Scud missiles for Iran or Syria docked at the Iranian port of Bandar Abbas, a US Navy official said. The US Navy has been shadowing the vessels but did not intercept either.

Turkish air attack
Turkish warplanes bombed Kurdish guerrilla bases in northern Iraq for the second day running. Ankara maintains that the Kurdish Labour party uses the northern Iraqi bases to mount hit-and-run attacks inside Turkey.

Research spending
The US, Germany and Japan top the league of industrialised countries investing in research and development, according to OECD statistics.

Palestinian shot
Israeli troops shot dead a Palestinian driver who injured four soldiers when he drove into a checkpoint in the occupied Gaza Strip.

Japan wins concession
Japan won a fishing concession at the Convention on International Trade in Endangered Species in Kyoto when Sweden withdrew a proposal to ban trade in bluefin tuna. Ivory trade ban to remain

Pesticide ban hint
Pesticides used on the Netherlands' tulip fields pose a serious health hazard, the Dutch government warned. Two pesticides may be banned after a study revealed that bulb field workers were receiving up to 45 the recommended dose of some toxic chemicals.

Gorbachev's warning
Ex-Soviet president Mikhail Gorbachev warned the world it must unite now the Cold War was over or slide towards catastrophe. He issued his warning in Germany on his first foreign visit since the Soviet Union broke up.

Roquefort's reply
Makers of Roquefort cheese placed newspaper advertisements thanking Britain's Prince Charles for defending French cheeses against EC hygiene regulations. "Thank You Charles, God Save the Queen and the Roquefort Society", the advertisements said.

FT No. 31,706

Business Summary

Two German chemicals groups to cut dividends

BASF and **HOECHST**, two of Germany's big three chemicals companies, announced dividend cuts for 1991, first reductions since 1982, after declines in pre-tax profits by more than 20 per cent. The announcements will add to pressure on Bayer, the third big chemical company, to cut its own dividend today. Page 19

TREUHAND is to sell the core of east Germany's shipbuilding industry to two European groups. Kvaerner of Norway will buy the Warnow and Neptun yards while Vulkan of west Germany will take over MTW of Wismar and DMR, a diesel engine maker of Rostock. About 3,300 jobs will be lost. Page 2

GERMANY: Annual inflation in west Germany rose to 4.3 per cent last month from 4 per cent in January. A leading banker said inflation was still too high to allow Bundesbank to cut interest rates. Page 2

JAPANESE electronics industry denied US claims the bilateral microchip pact was on the verge of failure. Page 3.

MICRON TECHNOLOGY of the US is leading drive to impose tariffs on Japanese, European and Korean semiconductor chips sold in the US and on electronic products containing them. Page 3

DE BEERS, South African mining group, announced 20 per cent fall in 1991 net attributable earnings to $763m. The group proposed a marginal increase in total dividends, from 111.3 US cents per linked unit, to 112.1 cents. Page 21

HSBC Holdings, London Holding company of the Hongkong and Shanghai Bank's worldwide assets, reported an 83 per cent growth in earnings, after tax and transfers to secret inner reserves, to a record HK$5.66bn ($724m). Page 19

FUJI BANK and **Tokai Bank**, two of Japan's largest commercial banks, revised their profits forecasts down sharply to account for fraudulent loan practices and the continued weakness of the stock market. Page 21

BSN, France's leading food group, is to strengthen its position in Spanish brewing by buying a 24 per cent stake in San Miguel. BSN's beer interests already includes 33 per cent of Mahou, another Spanish brewer. Page 20

CARLSBERG: proposed £510m ($898m) merger of Danish brewer's British brewing operations and those of Allied-Lyons, UK drinks, food and retailing group, referred to UK Monopolies and Mergers Commission. Page 18

DEGUSSA, German metals, chemicals, and pharmaceuticals group, said pre-tax profits rose by 5 per cent to DM43m ($26m) in first quarter, but said full-year results would show marked improvement only if the world chemical market recovered. Page 20

AEG, Daimler-Benz subsidiary, sold rest of its domestic Olympia office equipment division to a consultant called in last year to advise the German parent group how to get rid of the lossmaking business. Page 21

SAATCHI and SAATCHI, world's second largest advertising and marketing services company, reported pre-tax losses of £63.6m for the 15 months to December 31 1991, compared with pre-tax profits of £35.6m for the year to September 1990. Page 19

GENERALI, Italy's biggest insurance company, forecast higher earnings for 1991, despite continuing heavy underwriting losses on non-life business, particularly in Italy. Page 20

SANDVIK, Swedish speciality steel and carbide group, said profits after financial items fell 29 per cent fall to SKr1.9bn ($315m) in 1991. Page 20

UK pre-election budget doubles deficit to £28bn

By Peter Norman and Philip Stephens in London

MR NORMAN LAMONT, Britain's chancellor of the exchequer, yesterday launched the Conservative party's general election campaign with a budget that stole some of the pet economic policies of the opposition Labour party.

Mr John Major, prime minister, is expected to announce today that the election will be held on April 9, capitalising on the government's surprise fiscal package targeted at low income voters.

Mr Lamont unveiled a new 20 per cent lower band of income tax on the first £2,000 ($3,500) of taxable income and extra help for poorer pensioners in a budget that also extended help to smaller businesses and the car industry.

But he held back from widely tipped moves such as cutting the basic income tax rate from 25 per cent or raising personal allowances by more than the inflation rate.

Mr Lamont forecast higher budget deficits than City of London analysts had expected. For 1992-93, Mr Lamont forecast a public spending borrowing requirement of £28.1bn (nearly $50bn), or 4½ per cent of gross domestic product.

This is more than twice the PSBR of £13.8bn, or 2¼ per cent of GDP, Mr Lamont now expects for 1991-92. The City had expected a 1992-93 deficit of £25bn, and the government had forecast one of about £18bn in November's autumn statement. For the current year, the City had expected a deficit of about £12bn, and Mr Lamont had forecast £7.9bn in his first budget a year ago.

The package provoked a mixed initial reaction on financial markets, with equities moving higher. But sterling and government gilt-edged securities fell on concern about the high deficit.

While market reaction implied no early fall in interest rates, Mr Lamont later indicated that he did not rule out an interest rate cut during the election campaign. Although such action would be virtually unprecedented, he said that would be "a matter for me and the Bank of England".

Mr Lamont limited the overall budget "giveaway" to £1.5bn in 1992-93, compared with £3bn to £4bn forecast by many commentators, by raising taxes on tobacco and leaded petrol and vehicle excise duty by more than the rate of inflation.

Mr Lamont described his package as a "budget for the recovery". But its immediate impact was to present a challenge to Labour. The party has long advocated the introduction of a reduced rate band to help the lower paid. But if it accepted it now, it would be unable to sustain its claim that the Conservatives were guilty of electoral bribery.

Mr John Smith, who would replace Mr Lamont as chancellor if Labour won the election, said his party would oppose the lower rate band at the core of the budget package, prompting Mr Lamont to promise a formal House of Commons vote on the issue later this week.

Senior ministers voiced confidence that the package – a careful political balancing act designed to steal Labour's most attractive clothes while deflecting charges of bribery – would hand back the political initiative to the Conservatives.

Mr Lamont's measures were designed to win over key groups of voters in the key election battlefields.

Changes in the uniform business rate, a property tax, are aimed at boosting Conservative support among small businessmen in marginal constituencies in southern England. The halving of car tax should benefit the motor manufacturing industry in the Midlands. Inheritance tax changes are designed to win votes from farmers in rural areas as well as from small businessmen across the country.

Mr Neil Kinnock, Labour leader, said tax cuts paid for by public borrowing represented a "panic-stricken, pre-election political sweetener", but party leaders privately acknowledged the package had left it with awkward choices.

In his budget speech, Mr Lamont painted a picture in which economic recovery had effectively been postponed for a year. He described a path of recovery that would be very similar to that first outlined in last year's budget. He forecast 1 per cent growth in GDP this year with the rate quickening as the year progresses. Retail price inflation is expected to fall to 3¾ per cent at the end of this year and 3¼ per cent by mid-1993 from 4¼ per cent in the final quarter of 1991.

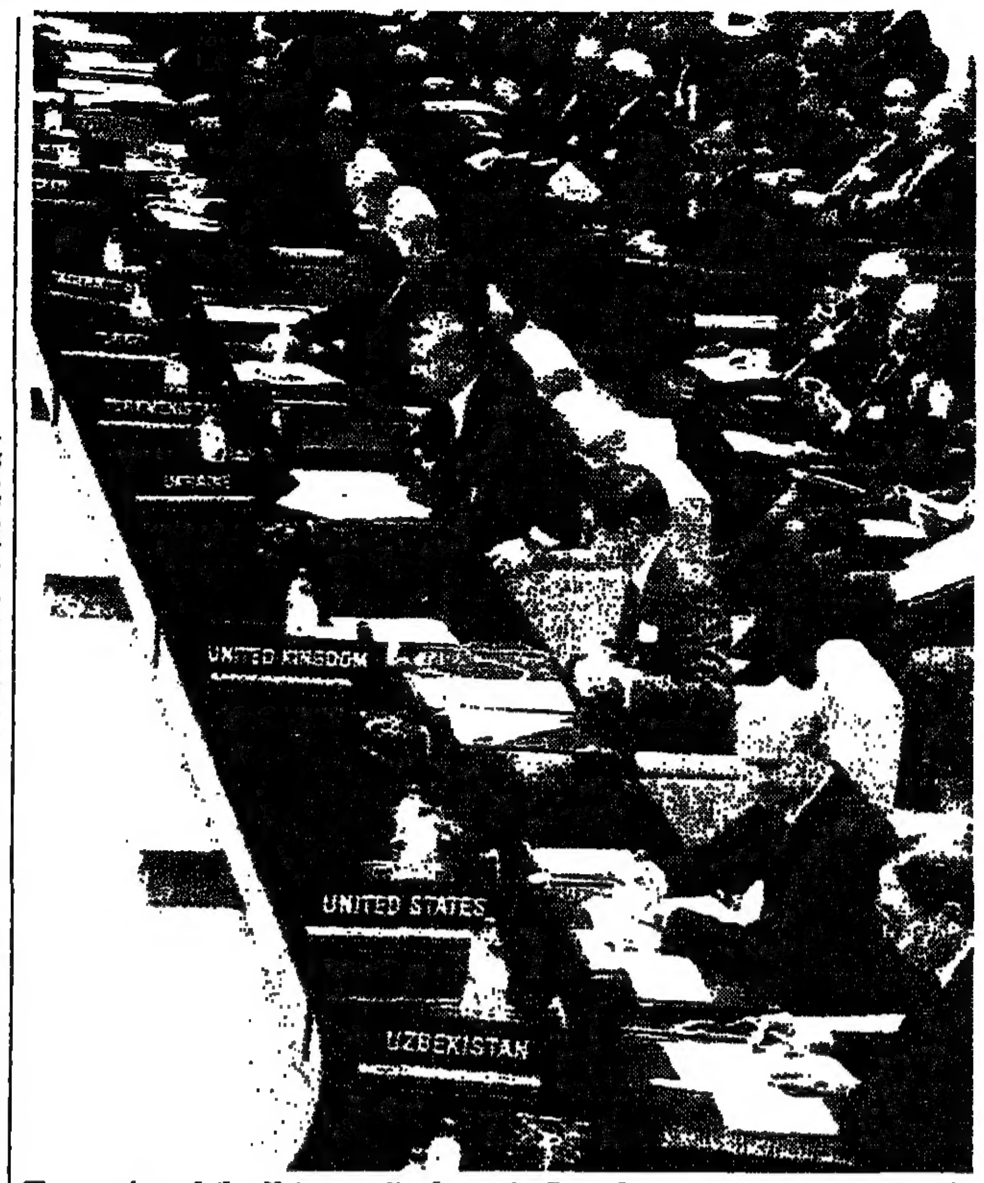
Mr Lamont started his speech by announcing a surprise plan to combine the government's autumn statement spending plans and the spring budget into a comprehensive December budget from December 1993, itself a Labour policy.

Mr Kinnock sought to reinforce the contrast between Labour's long-term commitment to economic revival and a short-term Conservative "fix".

Mr Lamont, however, said British voters would be presented with a clear choice between a party committed to cutting taxes – particularly for the lower paid – while maintaining good public services and one committed to increase the tax burden on everyone.

Both sides admitted that voters' reaction would be critical in shaping the course of the election. The Conservatives, currently fractionally behind in the opinion polls, are relying on the budget to push them into the lead.

Ministers acknowledged, however, that there were still doubts over how a package widely acknowledged at Westminster to be politically astute would "play" with the electorate. "I am not sure whether they (the voters) will grasp it quickly", one minister said.



The opening of the Nato security forum in Brussels. Nearest camera are Fattah Teshabaev, foreign minister of Uzbekistan, and James Baker, US secretary of state

Nato, CIS peace plan for Nagorno-Karabakh

By Robert Mauthner in Brussels

NATO and its former adversaries in the Commonwealth of Independent States and eastern Europe agreed yesterday on a joint initiative to halt the bloody fighting in the ethnically mixed Caucasus region of Nagorno-Karabakh.

Under the plan, adopted by the 35-nation Nato Co-operation Council (NACC), Mr Jiri Dienstbier, the Czechoslovak foreign minister, has been mandated to undertake a mediation mission to the troubled enclave.

The mission, proposed by Mr Hans-Dietrich Genscher, the German foreign minister, will be prepared by a meeting of senior officials of the Conference on Security and Co-operation in Europe (CSCE) in Prague today.

Turkey, which shares a border with Armenia, yesterday warned that fighting over Nagorno-Karabakh could lead to a full-scale war that might engulf others, and said Armenia should drop any claims to the territory.

But Iran, another neighbour, is suspicious of Turkey's intentions. A Foreign Ministry statement quoted by Tehran radio reiterated Iran's offer to mediate but said that "the trend of events indicates the involvement of foreign and seditious elements in the clashes." This was seen as a reference to Turkey, which Iranian newspapers have criticised for suggesting US mediation.

Ministers pleaded with the two feuding Caucasus republics to find a peaceful solution to the conflict.

"We stressed the need for the parties to take concrete actions to step back from the cycle of violence," Mr James Baker, the US secretary of state, said.

Mr Baker warned that "there will be no victors" if the violence continued. "There is no glory in leaving widows and orphans to build the democratic, free-market societies

Continued on Page 18

Iraq ready to exploit UN lack of serious options

By Mark Nicholson, Middle East Correspondent, in London

WHATEVER happens at today's meeting between an Iraqi delegation led by Mr Tariq Aziz, the deputy prime minister, and members of the United Nations Security Council, the two sides are certain to agree on nothing of substance.

Mr Aziz has flown to New York – the first time an Iraqi senior minister has set foot in the US since the Gulf war – to tell the council that Baghdad is complying with the UN ceasefire resolutions which demand the elimination of its weapons of mass destruction, and that therefore the economic embargo against Iraq should be gradually lifted.

He will also, in the hope of loosening UN resolve over sustaining the embargo, seize the opportunity to publicise the effect on Iraq of 20 months of economic sanctions.

Iraq yesterday released a Health Ministry report claiming that more than 21,000 people, 8,000 of them children under five, died in the first two months of this year from food and drug shortages. The report says the embargo has cost 120,000 Iraqi lives in all.

However, council members – most vocally the US, Britain and France – will insist that Iraq is in grave breach of the ceasefire resolutions and that, unless it both reveals more of its weapons programmes and destroys what has been found, "serious consequences" will ensue. Dark warnings of a military strike will be uttered.

Members will reprimand Iraq over its internal economic blockade of the Kurds in the north and its mistreatment of Shia Moslems in the south and insist that it release hundreds of remaining Kuwaiti hostages.

They will ask why Iraq has refused to sell $1.6bn-worth of oil to buy food and medicine under a UN dispensation which runs out on March 19. Iraq argues that the embargo infringes its sovereignty.

Today's meeting will thus cover familiar ground, and there is nothing to indicate that it will do anything to soften familiar Iraqi intransigence: it is more likely to highlight the UN's difficulties in forcing Iraqi compliance.

The victorious Gulf war allies are busily considering all possible means of tightening the squeeze, short of the ultimate sanction of a further military strike. But such options are severely limited.

One suggestion that has emerged from within the US administration is to seize Iraq's $5bn of overseas assets and use the money to pay for the UN Special Commission charged with investigating and destroying Iraq's weapons programmes, offer relief aid to the Kurds and Shias and pay some compensation to Kuwait.

While this proposal might appear to kill a flock of birds with one stone, Britain and France argue that it would present insurmountable legal problems to enforce. "This one's not going anywhere," a

Continued on Page 18

CONTENTS

Thailand's general election raises the price of corruption

Politicians contesting Thailand's election, called by the military junta which overthrew the elected government of Chatichai Choonhavan (left), have found that buying votes is not as cheap as it used to be

Page 4

MARKETS

STERLING
New York:
$1.7175 (1.7255)
London:
$1.7155 (1.723)
DM2.8675 (2.865)
FFr9.74 (9.735)
SFr2.6025 (2.5975)
Y227.75 (227.25)
£ Index 90.1 (90.0)

GOLD
New York Comex Apr
$349.8 (349.7)
London:
$348.5 (348.9)

N SEA OIL (Argus)
Brent 15-day Apr
$17.55 (17.45)

Chief price changes yesterday: Page 19

DOLLAR
New York: close
DM1.6710 (1.66075)
FFr5.674 (5.64)
SFr1.5165 (1.50635)
Y132.895 (131.925)
London:
DM1.672 (1.663)
FFr5.6775 (5.65)
SFr1.5175 (1.5075)
Y132.8 (131.95
$ index 65.3 (65.1)
Tokyo close: Y132.0
US closing rates
Fed Funds: 3¾% (3⅞)
3-mo Treasury Bills:
4.097% (4.105)
Long Bond:
101$\frac{3}{32}$ (101$\frac{7}{16}$)
yield: 7.897% (7.867)

STOCK INDICES
FT-SE 100: Yield 4.79
2,574.8 (+24.1)
FT-A All-Share:
1,236.54 (+0.9%)
FT-SE Eurotrack 100:
1,169.22 (+3.77)
New York:
DJ Ind. Av.
close9 (+15.87)
S&P Comp
406.89 (+1.68)
Tokyo: Nikkei
20,854.59 (+56.91)

LONDON MONEY
3-month interbank:
10$\frac{7}{16}$% (same)
Liffe long gilt future:
Jun 96¼ (Jun 96$\frac{31}{32}$)

Question of arms points up Czechoslovak divisions

Slovak MPs fight to keep the weapons industry in the face of federal attempts to curb output. **Ariane Genillard** reports

AN ARMOURED carrier can be had in Prague these days for about $1,600 (£909). Federal deputies put one on show in front of the parliament building last Friday. They said they had found it on sale in a used car shop.

Czechoslovakia, once the largest producer of conventional weaponry in the former communist bloc after the Soviet Union, is finding it hard to control a flourishing arms market.

Since the end of communist rule, the authorities have sought to curb production, halt exports and convert weapons factories to peaceful production. But many producers, and trade officials, have been determined to carry on selling, in part because of the lack of alternative work in the post-communist era.

Attempts to restrict the market were blocked in parliament yesterday by Slovak MPs worried about the impact on one of their region's most important industries. Most of the country's factories are in Slovakia, where unemployment is about 12 per cent.

The Slovak deputies refused to adopt a constitutional amendment laying down strict conditions for the import and export of arms and drugs. Parliament's failure to adopt the legislation leaves the way clear for arms merchants operating in a virtually unfettered market.

In a small grocery store in Holesovice, a Prague suburb, the sales assistant denies vigorously that he intends to sell weapons. Yet officials at the federal ministry of economics say the shop's address appears alongside an offer for arms sales made by an unregistered Czech company in a Brazilian newspaper.

At the Federal Ministry of Foreign Trade, officials from the embattled republic of Georgia come out of the arms trade department and walk away furtively.

A legislative loophole means that while licences to export products must be granted by the federal ministry of foreign trade, deal-making is unregulated and a spate of private companies have set up shop to try to sell a range of military products.

"Nowadays, officially, anyone can go into the arms business if he gets a licence. As a result, everybody is trying to go into the business. At the same time, producers are lowering the prices because they are eager to sell. So one ends up with dumping prices often 30 to 40 per cent below the original prices," explains Mr Stanislav Kozeny, chairman of Omnipol, the once all-powerful company which held a monopoly on arms trade under the former regime.

Mr Stefan Glezgo, head of the arms trade department in the Foreign Trade Ministry, who put forward the bill rejected yesterday, wants to restrict the sales of weapons and the granting of export licences to a few selected companies.

"We are not afraid of companies choosing arms trade as business. But we want them to let us know about it and give us all the detailed relevant information," says Mr Glezgo.

He adds that licences are not granted easily. Last year, only 28 companies were granted licences to export military products and these included many manufacturers. Furthermore, he says, all controversial cases are referred to an inter-ministerial commission which must approve the deals.

Efforts by federal authorities in Prague to control the arms market have repeatedly run into the opposition of Slovak politicians. Nationalism plays a crucial role in Czechoslovakia's ability to control both its arms production and trade.

Eighty per cent of the defence industry lies in Slovakia, the smaller and poorer of the country's two - Czech and Slovak - republics. In 1991, arms production in the whole country, amounting to Kcs7.6bn (£150m) reached barely 50 per cent of the previous year's level. Slovak arms factories, which employ some 80,000 workers, face enormous social difficulties as they try to restructure production towards civil output.

To ease the transition, the federal government has launched a conversion programme which last year granted Kcs1.5bn to support projects for civil production in arms factories. But the resistance of arms producers has hampered the programme. "The Slovak factories want to continue producing tanks and their managers are hiding information from us," says Mr Josef Fucik who supervises the conversion programme at the federal ministry of economics.

Arms producers have put growing pressure on the federal authorities to allow them to export weaponry in order to survive. Last year, the federal government approved the sale of 252 T-72 tanks to Syria over objections from the US and Israel.

"There are too many competing interests within the government which is trying to balance economic and political imperatives," says Mr Martin Palous, deputy foreign affairs minister who sits on the inter-ministerial supervisory commission.

"The licence department of the foreign trade department comes to us with done deals. If we say yes, it means billions of korunas for the country. If we say no, it means we don't respect the economic interest of Czechoslovakia. It's like trying to square a circle."

Pressure from arms factories has increased alongside Slovak nationalism. The plight of the arms industry has fuelled resentment against federal policies in Slovakia. The most popular politician in the republic, Slovak nationalist leader Mr Vladimir Meciar, has promised to keep the industry afloat if, as expected, he wins next June's general elections.

"The first priority of the new Slovak prime minister will be to maintain standards of living. And in Slovakia, this is linked directly to allowing the arms factories, the republic's main hard currency earners, to sell" says Mr Kozeny, of Omnipol.

Gonzalez backs embattled bank chief

By Tom Burns in Madrid

THE Madrid government yesterday closed ranks in support of the embattled governor of the Bank of Spain, Mr Mariano Rubio, who is at the centre of a scandal over the failed Ibercorp banking group.

The government denied that Mr Rubio's departure from the bank was imminent. Mr Felipe Gonzalez, the prime minister, refused Mr Rubio's offer to resign last month and confirmed him as governor until his term expires in July.

"Mr Rubio's situation remains the same. Nothing has changed," a spokeswoman said. Earlier Mr Carlos Solchaga, economy minister, denied that the cabinet was divided over maintaining the governor in his job during the next four months.

Mr Rubio had offered to resign after an investigation by the Stock Exchange commission into the broking arm of Ibercorp, a financial services group run by close friends of his and which managed his personal portfolio. The commission is investigating alleged share price manipulation, discrimination in favour of certain clients and other possible fraudulent practices.

The latest allegation is that Mr Rubio's sister, her husband and a first cousin were the administrators of a Luxembourg-based investment fund whose shares in Ibercorp were bought back by the group two years ago before the share price collapsed. The Stock Exchange commission is also investigating this investment company, but Mr Rubio's lawyer said the governor could not be held accountable for the activities of his relatives.

Banco Ibercorp, the group's merchant bank, was taken under the wing of the Bank of Spain last week when it was unable to meet outstanding loans and its broking activities were suspended pending the investigation.

Soviet atomic materials on sale

Businessmen in the former Soviet Union have offered to sell heavy water, which can be used to make atomic bombs, to a Norwegian company, Norway's foreign ministry said yesterday, Reuter reports from Oslo.

It is not illegal for a Norwegian company to purchase heavy water (deuterium oxide) but all exports and help to negotiate sales are forbidden. The ministry said Norway was probably a transit country for heavy water exports.

Meanwhile, a Russian minister promised yesterday to tighten border controls after two citizens were caught trying to sell 1.2 kg of low-grade uranium in Germany.

Court trims EC anti-cartel fines

A European court yesterday upheld the bulk of anti-cartel fines imposed on seven chemical companies by the European Commission, which has recently lost several competition cases for sloppy procedure, writes David Buchan in Brussels.

The Court of First Instance, which is the European Court of Justice's lower tribunal, was ruling on appeals against fines which the EC executive imposed in 1986 on companies for running a market-sharing cartel in polypropylene between 1977 and 1983.

The court reduced the fines on Shell from Ecu9m (£6.39m) to Ecu8.1m, on ICI from Ecu10m to 9m, and on Hüls of Germany from Ecu2.7m to 2.3m, because it said these companies were not part of the cartel for as long as the Commission had claimed. But fines on Hoechst (Ecu9m), Montedipe (Ecu11m), Solvay (Ecu2.5m) and Lindz (Ecu1m) were upheld.

Treuhand finds buyers for three shipyards

By Leslie Colitt in Berlin

THE TREUHAND privatisation agency has secured its last major sale, finding buyers for eastern Germany's troubled shipbuilding industry.

It said yesterday three of the five large companies belonging to the state-owned Deutsche Maschinen- und Schiffbau are to be sold to Kvaener, a Norwegian group and to Bremer Vulkan of western Germany. The Treuhand is also talking to Danish and Norwegian buyers to sell the other two yards.

Kvaerner is to buy the Warnow and Neptun yards, east Germany's largest shipyards, based in the Rostock area. Bremer Vulkan is to take over the MTW shipyard in Wismar, and DMR, a diesel engine producer based in Rostock.

Mrs Birgit Breuel, Treuhand president, said the decision to sell the core of the industry to the two companies had been "one of the most difficult the agency has had to make".

The European Commission will have to examine the sale because state funds are involved. The Treuhand, whose governing board is expected to approve the sales next Tuesday, said it was confident the Commission would approve the level of state aid needed.

The state government of Mecklenburg-Vorpommern, where the yards are based, said yesterday it would unveil a restructuring plan for the industry today. Sir Leon Brittan, the EC competition commissioner, said last week that any plans for the shipyards would have to include a basic restructuring plan before the Commission could consider approving the level of state aid.

Brussels officials are seeking assurances that the restructuring would be sufficiently realistic to make the yards competitive by the end of 1993, when all state aid to shipbuilding in the Community is to be abolished.

Mrs Breuel indicated yesterday the sale represented a compromise between Chancellor Helmut Kohl's Christian Democratic party (CDU) and its junior coalition partner the liberal Free Democrats (FDP), and between the two parties in the state government of Mecklenburg-Vorpommern.

The CDU had sought a comprehensive privatisation with state aid while the FDP said there should be no subsidies and that unviable parts of the industry should be closed.

The Treuhand said the number of workers in the three shipyards would be reduced from 10,300 to 7,000. Trade union representatives at the shipyards claimed the sales violated a "package deal" for the sale of the entire industry.

Thousands of shipyard workers are to demonstrate today outside the parliament of Mecklenburg-Vorpommern which is to debate and approve its plan for the shipbuilding industry.

Mr Hartmut Röwer, chairman of the action committee of workers at the Neptun-Warnow shipyards, called the deal a "rotten egg." The unions have also argued that the future of the industry would be more secure in the hands of a single buyer. Mr Röwer said he feared Kvaerner would close the shipyards and sell the property.

Tough negotiations with the companies are likely to take place over the amount of state subsidy. The Treuhand previously indicated it was prepared to assume more than DM1bn (£300m) in shipyard debts as well as a substantial portion of the DM900m needed in investments. The agency previously guaranteed liquidity loans of DM1.3bn to the shipbuilders.

Banker warns on German inflation

By Christopher Parkes in Bonn

GERMAN inflation, at 4.3 per cent, is still too high to allow the Bundesbank to cut interest rates, according to criteria laid down by a leading banker in Bonn yesterday.

Mr Friedel Neuber, chairman of the Westdeutsche Landesbank, the biggest Land (state) bank in Germany, said the German economy would recover during the year and the Bundesbank would be able to ease interest rates a little.

However, the timing of the reduction depended mainly on developments in prices and pay. "An inflation rate of 4 per cent cannot be tolerated," he added.

His comments followed an announcement from the federal statistics office that a 0.6 per cent rise in consumer prices last month had pushed annual inflation in west Germany to 4.3 per cent, compared with 4 per cent in January.

The climate in the current pay round is also unpromising, with most unions claiming around 10 per cent.

However, banking workers, who have disrupted business for the past two weeks with scattered warning strikes in pursuit of their 10.5 per cent demand, showed signs yesterday that they would accept the employers' offer of renewed talks.

The banks needed a period of peace. Mr Gerhard Renner, chief negotiator for the DAG clerical union, said, indicating that strikers should go back to work and that he would settle for 6.5 per cent. The employers have so far refused to go beyond 5 per cent.

The union claims its demand is justified by sound results in the sector. The upward trend was confirmed yesterday by Mr Neuber, who is also president of the VöB banking association, representing around 50 state banks. He said its members had increased their aggregate balance totals by 9.9 per cent to DM1,350bn (£468bn) last year. Credit business had been especially strong, he added, with lending to business and private individuals increasing by more than 15 per cent.

Public service unions, meanwhile, launched a threatened wave of warning strikes with a demonstration by 500 workers in Berlin. Claiming a 10.5 per cent increase, the 2.3m workers have been offered 3.5 per cent by federal and state employers.

IG Metall, representing around 4m engineering employees, meanwhile said that the Gesamtmetall employers' association was on a catastrophe course. While no formal offer has yet been made, Mr Hans-Joachim Gottschol, Gesamtmetall's president has suggested that a maximum of 2 per cent would be "economically reasonable." The union is claiming 9.5 per cent.

● Mr Theo Waigel, the German finance minister, yesterday promised to maintain strict budget discipline, rein in federal spending and reduce the state deficit.

Government targets, he said, "exclude new payments and increases which cannot be matched by savings in other parts of the budget". The federal deficit, which climbed to DM52bn last year, from DM47bn in 1990, is expected to fall again this year.

France prepares to cast protest vote

The mainstream parties are likely to be the losers in regional elections writes **Ian Davidson**

WITH less than a fortnight before polling day in the French regional elections, the ruling socialists seem to be failing to reverse a tide which is running heavily against them.

Senior ministers have been conscripted to lead the socialist campaign in the 22 regions of France, but their efforts appear to be making no impact on opinion polls.

These point to a steep drop in the socialist vote to 20 per cent or less. This compares with nearly 30 per cent in the previous regional elections in 1986, and almost 35 per cent in the first round of the 1988 general elections.

The socialist setback does not seem to be doing the traditional conservative parties any good, however, and the main beneficiary is Mr Jean-Marie Le Pen's extreme right-wing National Front. The most detailed surveys point to a nationwide tally of 13.5 per cent for the NF, and the latest poll suggests the NF is gaining support. Neck-and-neck with the NF are the two ecological movements.

The pattern thus emerging from the polls is of a disavowal of the traditional mainstream political parties in favour of eccentric protest parties.

So far, the socialists do not appear to have a clear plan to ward off the impending popular rejection. They have been divided over whether these are genuinely regional contests to be campaigned for regionally, or whether they are really a national contest, a trial run for next year's general elections.

Their initial response to the rise of the National Front was to go on the offensive against Mr Le Pen in his home ground in the south of France. The standard-bearer chosen for this offensive was Mr Bernard Tapie, the populist businessman who established his local credentials by buying the Marseilles football team, and by winning a local parliamentary seat.

Mr Tapie has expended much of his brash energy, and attracted a lot of media attention, with a stream of insults aimed at Mr Le Pen and his supporters. "If Mr Le Pen is a bastard (*salaud*)," he has said, "those who vote for him are bastards too". For good measure, Mr Tapie has also been directing his street invective against Mr Jean-Claude Gaudin, the centre-right incumbent chairman of the local Provence-Alpes-Côtes d'Azur (Paca) regional council, whom he accuses of preparing an infamous pact with Mr Le Pen.

Mr Tapie's braggadocio seems to have been without effect. The polls suggest Mr Le Pen will break all records in the Paca region, with 27 per cent of the vote, whereas Mr Tapie's list is likely to trail in third with only 18 per cent. Last week he conceded ruefully: "I was mistaken in my campaign. The electorate of Le Pen is more convinced and motivated, and the others do not feel concerned."

Moreover, the socialist campaign against Mr Le Pen seems to have backfired nationally. It has precipitated demonstrations and counter-demonstrations, and led some local authorities to ban public meetings planned by Mr Le Pen. The resulting uproar has been so much free publicity for the National Front, and even though the mayor of Lyons this week refused to let Le Pen use a local hall, most of the mainstream politicians have publicly conceded that it is better to allow his meetings to take place.

One result is that Mr Laurent Fabius, leader of the Socialist Party, has tried to cool political passions by appealing for regional campaigning to take place on regional issues. Local factors, such as the presence of a large immigrant community, undoubtedly play a large part in Mr Le Pen's prospects of success in the south of France. Conversely, the socialists have strong industrial roots in Nord-Pas-de-Calais, one of only two regions which they control, though even here they are on the defensive against the challenge of the ecologists.

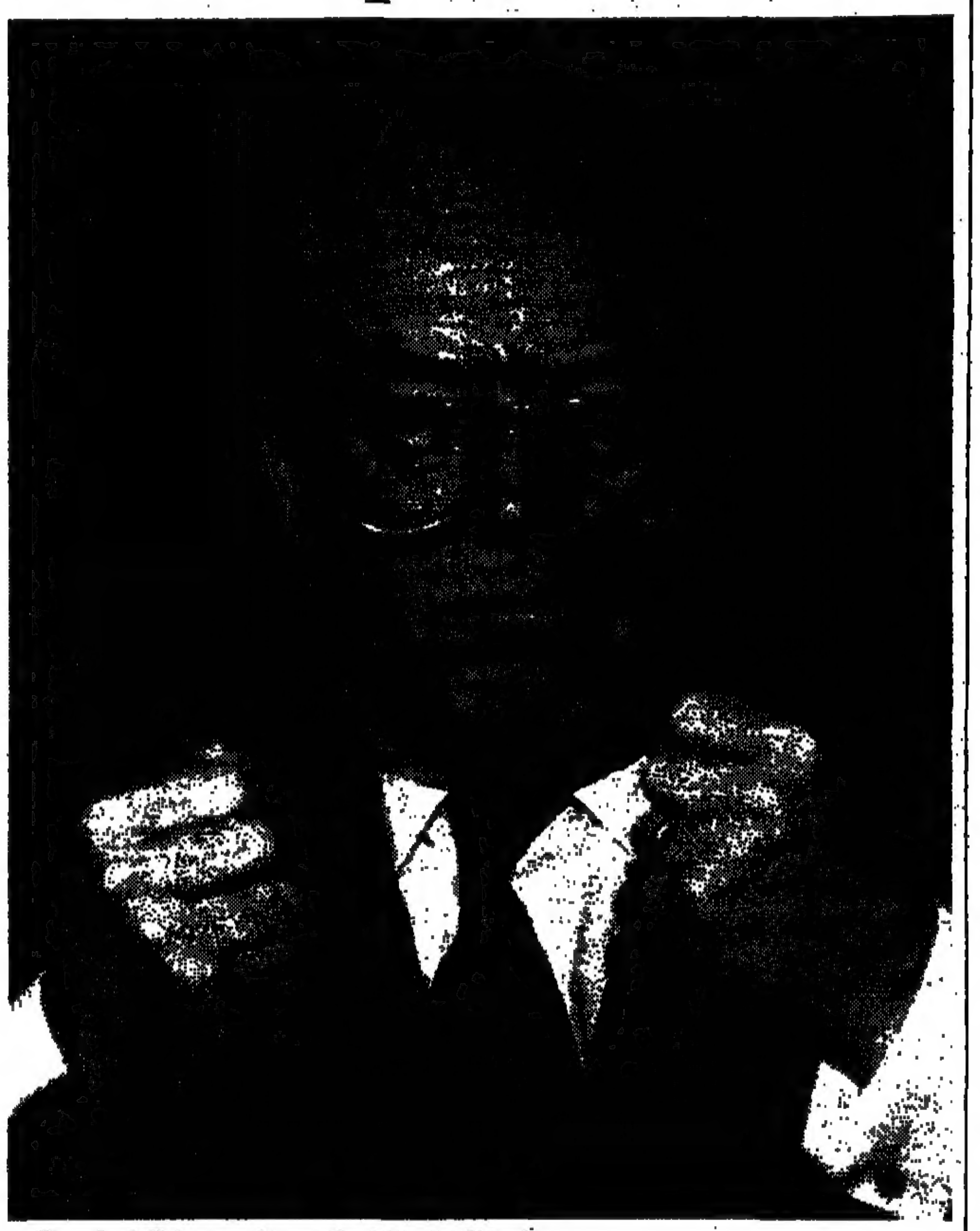
Yet polls show that most voters are influenced by national considerations, such as unemployment. This is not surprising, because regional decentralisation is only a decade old, and still rather tentative. The biggest share of regional budgets is secondary education and training, but regional responsibilities extend only to the buildings of the secondary schools; education proper is still decided in Paris.

As a result, most analysts are treating these elections as if they were a national opinion survey. Mrs Edith Cresson, the prime minister, has led the national campaign with extended apologies for the socialists' eleven-year record in office, and Mr Pierre Bérégovoy, the finance minister, has rebuked the electorate for its failure to understand the strengths of the national economy and the achievements of his economic policy.

The strongest proof that this is indeed a national not a regional election is that the party and the government have sent most of the cabinet out on the campaign trail, many of them against their will. But few expect these efforts to make a radical difference to the verdict.

Paradoxically, the rise in protest votes could produce perverse results. The mainstream conservative parties can expect to come out in front in most regions, as at present. But as they are simultaneously likely to lose ground in many of these regions, they may have difficulty in putting together regional council majorities.

Since they have publicly undertaken not to do deals with the National Front, the deciding voice may well lie with the ecologists. In some cases the ecologists may do a deal with the socialists; so the socialists could increase the number of regions they control, even if their national score collapses dramatically.



Le Pen: Socialist campaign against him backfired

Bernard Tapie: mistaken invective

LE PEN MAKES A PLAY FOR CHILDREN'S VOTE

The National Front wants to let parents vote on behalf of their minor children in a move to encourage French people to have bigger families, Reuter reports from Paris.

The so-called "family vote" was one of 51 social proposals in a manifesto issued by the anti-immigrant party led by Jean-Marie Le Pen ahead of March 22 regional elections.

"The place of families in the national community must be enhanced. It is abnormal that children who ensure the future of the nation do not count in elections," it said.

"It is therefore important to establish full universal suffrage by giving the right to vote to every citizen, adult or minor. This vote will be exercised by the parents: the father for boys and the mother for girls," the National Front said.

Bruno Megret, the party's chief ideologist, said the idea was logical since parents were legally responsible for their children.

The manifesto said the children would have no say until they turned 18 and could vote for themselves.

The National Front's social charter also featured proposals to stop child benefit and welfare payments to immigrants, give French nationals priority in state housing and student grants, and pay mothers to stay at home and raise children.

St Petersburg sounds the alert on wages

By Leyla Boulton in Moscow

INDUSTRIAL managers in St Petersburg, Russia's second largest city, yesterday warned of an explosion of worker discontent unless the government gave them Rbs2bn to pay wages for March.

The rumblings from St Petersburg, a centre of support for both Lenin in 1917 and for Mr Yeltsin during last August's coup, is the latest of a series of angry signals bombarding the Russian government as it tries to push through austerity policies.

Mr Gennady Burbulis, first deputy prime minister, said yesterday a government commission would go to the Kuzbass mining area, where bus drivers and teachers have threatened a strike unless they receive pay rises equal to the tripling of miners' pay. Meanwhile Mr Alfred Malinovsky, chairman of Russia's pilots' union, said 70 per cent of pilots were prepared to strike on March 25 unless demands for a pay rise and better working conditions were met.

Mr Viktor Kharchenko, chairman of the Union of Industrial Enterprises, which groups about 30 of St Petersburg's biggest state enterprises, said managers already owed Rbs18bn to banks.

Mr Kharchenko, who also heads the Baltic Shipping Company, said defence enterprises accounting for 70 per cent of the city's heavy industry should be allowed to export arms to help them survive.

The dilemma of Mr Vyacheslav Petrov, manager of the Arsenal artillery plant, is typical of the problems facing defence plants around the country as a result of a cut in military procurement to 13 per cent of last year's level.

Mr Petrov borrowed Rbs30m from the bank in February to pay wages and make up for the fact that several customers had failed to pay for deliveries. Talks with potential foreign investors on helping him convert more of his defence output to civilian uses have produced no results.

"Time will run out before they wake up," he said. Unless he gets funds from the state, Mr Petrov will have to sack some of his 3,500 workers involved in defence production. Another 5,500 people are already involved in the production of consumer goods at his factory thanks to partial conversion.

But even conversion is not necessarily a key to salvation. The mighty Kirov plant, which over recent years has managed to switch from tanks to tractors, is unable to sell its tractors for lack of key components. This shortfall is just one symptom of the disruptions in deliveries between factories, despite a variety of government incentives to facilitate the output of agricultural machinery. A shortfall in steel production has led to predictions of a 30 per cent fall in the output of tractors and other agricultural equipment.

THE pro-Russian commander of the Black Sea fleet yesterday condemned the decision by 58 officers and seamen aboard one of the fleet's biggest battle cruisers to swear allegiance to Ukraine, writes Chrystia Freeland in Kiev. A spokesman for Admiral Igor Kasatonov said the oath, taken on Sunday, had been instigated by the deputy commander of the battleship Admiral Kutuzov in the absence of the commander.

"We consider such acts to be impermissible and a destructive force," he said. The oath, taken by less than half the 136 serving officers and men aboard, defied a ban by Admiral Kasatonov against any swearing of allegiance to Ukraine until Russian and Ukraine leaders have resolved the status of the fleet.

Ukrainian claims to the fleet have collided with Russia's insistence that the bulk of the force remain under the collective control of the Commonwealth of Independent States. The Ukrainian government has urged Admiral Kasatonov's dismissal.

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WORLD TRADE NEWS

US chip maker leads drive for tougher tariffs

By Louise Kehoe in San Francisco

A DRIVE for legislation to impose import tariffs on Japanese, European and Korean semiconductor chips as well as all electronics products containing such devices sold in the US is being led by Micron Technology, a US memory chip manufacturer.

The proposal comes as US chip industry executives gather in Washington to decide their next moves in the long-running US semiconductor trade row with Japan. It reflects growing frustration at lack of progress on removing trade barriers in Europe and South Korea. Long a rebel in the US semiconductor industry, Micron was the first US chipmaker, in the mid-1980s, to file a dumping suit against its Japanese competitors. That proved a catalyst for broader US industry complaints, leading to the first US-Japan semiconductor trade pact in 1986.

Last year, key elements of the first accord were renewed, promising foreign chipmakers 20 per cent of the $20bn (£11.3bn) Japanese semiconductor market. Now Micron, the tenth biggest US semiconductor producer with fiscal 1991 sales of $425m, is again breaking ranks by urging punitive steps against countries that have failed fully to open their markets to US chip products.

Micron also alleges dumping by Japanese and South Korean memory chip makers. Mr Joseph Parkinson, Micron chief executive, is leading the call for tough action. In a letter circulated in the US industry, Micron asks executives to contact their congressmen "in support of a bill proposing an immediate 14 per cent countervailing tariff.

"The tariff is justified against the Japanese on the basis of their failure to comply with the [1991] semiconductor agreement by dumping product, and their failure to provide the agreed 20 per cent market-share access," Micron's letter says. Europe's enforcement of a 14 per cent tariff on chip imports, and South Korea's tariffs and lack of market access, are cited as reasons for cracking down on products from those countries. But Mr Parkinson's proposals are embarrassing the Semiconductor Industry Association (SIA), which has led the US industry's trade battles for 10 years.

He is this year's chairman of the industry group, and as such the industry's official spokesman. Yet his proposal runs contrary to SIA opposition to import tariffs which it sees as a "protectionist trade barrier". Since import tariffs would raise chip prices in the US, Mr Parkinson's proposal threatens to undermine the SIA's tentative coalition with US computer makers who provide the US chipmakers with political firepower in Washington.

But the SIA will consider Mr Parkinson's proposal, among others, at its board meeting today, Mr Andrew Procassini, SIA president, said. He stressed the SIA "does not favour measures that would disadvantage its customers in world markets".

The SIA had been expected to raise the spectre of economic sanctions against Japan and issue a strong statement expressing dissatisfaction with the progress to lifting trade barriers in Europe. Faced with Micron's more radical proposal, the SIA may well move faster to seeking US government retaliation against Japan, Europe and Korea.

Japan's electronics industry reacted angrily yesterday to a US semiconductor industry report saying a bilateral microchip pact was near failure and raising the prospect of sanctions if market access fails to improve, Reuter reports from Tokyo.

"We are making every possible effort," Mr Tamotsu Harada, a spokesman for the Electronic Industries Association of Japan (EIAJ), said. "The outlook may be a bit grim right now, but to speak of retaliation is going too far.

"Are they saying it's all right for us to stop trying?"

Kuwait aims to open up free trade zone

KUWAIT has begun a feasibility study into opening up a free trade zone, Mr Abdul Rahman Nibari, head of the emirate's Port Authority, said yesterday, Our Middle East Staff reports. Mr Nibari said Kuwait had chosen one out of 10 consultancy groups from the US, Britain, France and the Netherlands which had offered to carry out the project, though he would not name the company.

Kuwait hopes to develop entrepôt trade with Iran to compensate for loss of transhipment trade it enjoyed with Iraq before the Gulf war. "The free zone will help activate the national economy and commercial business, and bring the latest technology," Mr Nibari told the Kuwaiti News Agency KUNA.

The study on a free zone, to compete with Dubai's Jebel Ali port, which already carries a large amount of entrepôt trade with Iran, will take eight months to complete. Shuwaikh Port, Kuwait's biggest sea inlet, would have to be expanded before the zone was set up. Kuwait had been toying with the idea of a free zone before Iraq's 1990 invasion, to revive its role as a major re-export centre in the Gulf.

Canada acts in lumber row today

By Bernard Simon in Toronto

THE Canadian cabinet will today consider retaliatory action against the US for a 14.5 per cent duty imposed by the Commerce Department last week on softwood lumber exports from Canada.

The lumber ruling, coming on top of several other trade rows between Ottawa and Washington, has increased political pressure on Mr Brian Mulroney, Canada's prime minister, to hit back at the Americans. Both opposition parties have called for retaliatory measures. Mr Bob Rae, Ontario's premier, urged Mr Mulroney to work more closely with other countries hurt by US protectionism.

Although Canada is the US's biggest market, with imports totalling C$93bn (£45bn) last year, Ottawa is hesitant to take any measures which could widen trade frictions. In an interview with the Financial Times last week, Mr Mulroney said: "I'm not big on gunboat diplomacy, but we are not without our own resources".

The Canadians want to avoid any action which would jeopardise the 1989 free trade agreement with the US, or the present round of trilateral talks including Mexico to create a North American free trade area (Nafta). Mr Mulroney, President George Bush and President Salinas de Gortari of Mexico are due to discuss progress in the Nafta talks by phone next Monday.

Mulroney (left) and Salinas de Gortari: due to consult on progress in Nafta talks next week

Canada has already lodged a complaint with Gatt over the softwood lumber duty, imposed to compensate for the alleged subsidy to Canadian sawmills of low tree-cutting fees in provincial forests and curbs on log exports. Ottawa also plans to refer the lumber issue to a binational dispute settlement panel under the 1989 US-Canada free trade pact. It is expected to call for a panel to consider the recent US Customs Service decision that Honda cars assembled in Ontario do not have enough North American content to qualify for duty-free access under the FTA.

The extra duty on Canadian lumber has halted export orders from the US for the time being. Mr Roy Carroll, president of Angus Forest Products, a Toronto-based wholesaler, said sawmills in British Columbia, Ontario and Quebec have raised prices 15 per cent since last Friday.

US buyers bought heavily ahead of the ruling, and are thought to have substantial inventories. Many US home-builders have rallied to the Canadians' side, noting the extra duty imposed at a time of strong demand could raise the price of an average home by about $1,000 (£568). Canadian sawmills export more than C$3bn of lumber a year south of the border and have a roughly 25 per cent share of the US market.

Bulgaria in push to attract US investment

BULGARIA'S prime minister, Mr Philip Dimitrov, today ends a 10-day campaign across the US to win American investment, Barbara Durr reports from Chicago.

Bulgaria offers the advantage of an export platform to the republics of the former Soviet Union, he told business leaders at a meeting organised by the Chicago Council on Foreign Relations. "Nowhere is there better knowledge and experience of their markets."

A liberal foreign investment law had been passed allowing repatriation of profits, and a privatisation law was being considered by the parliament.

Telecommunications heads Mr Dimitrov's list of investment priorities. Bulgaria offered a special advantage for this industry, he added. Under the now-defunct Comecon, Bulgaria had been designated by Moscow as the country specialising in computer production and it has many electronics experts and computer programmers. Tourism and agribusiness investments are next on Bulgaria's list. The Bulgarian-American Enterprise Fund, based in Chicago, has been authorised to make available $55m (£31.2m) over three years.

EC warns Japan on bilateral US deals

By David Buchan in Brussels

BRUSSELS yesterday warned Japan not to strike bilateral trade deals with the US that might lose the EC its toehold in the Japanese market and raise its deficit with Tokyo.

In talks yesterday, Japanese officials provided the EC with details of Tokyo's recent agreement to double imports of US-made car parts over 1990-95. But the Commission said it still lacked pledges this deal would not discriminate against EC producers.

In general, the Commission conceded the cause of the EC's mounting deficit with Japan lay more with the nature of the goods traded, and the structure of the Japanese market, than with the relatively few specific tariffs and obstacles Japan still imposes on imports. The EC deficit rose from $18bn (£10.2bn) in 1990 to $27bn last year, Japanese statistics show.

Half this deficit stemmed from four sectors of Japanese exports to the EC: mass-market cars, telecommunications, electronic data processing and components, for which European demand is strong. By contrast, such EC exports as luxury cars, high-value textiles and alcohol are sensitive to any downturn in Japan.

Thus, the Commission has changed tactics. Instead of mounting the kind of rhetorical assault typical from Brussels only a few years ago, it is adopting a lower-key approach. This involved sending to Tokyo last month its one member – Sir Leon Brittan, the competition commissioner – never linked with protectionism.

Sir Leon complained of structural impediments, such as difficult access for foreign lawyers who could help EC companies establish themselves. A year ago, EC investment in Japan was less than one-fifteenth ($3.3bn) of Japanese investment in the EC ($55.3bn).

Brussels plans in May to send EC governments a "communication" on links with Japan. By then, it will be clear if a Gatt deal, removing, say, public procurement barriers to Japan buying more EC satellite/telecommunications equipment, is possible this year. If not, the EC will pursue its case bilaterally with Japan, perhaps invoking last year's EC-Japanese political declaration to give it extra leverage on trade issues.

● The European Court of Justice yesterday rejected an appeal by eight Japanese companies against EC dumping duties imposed in 1987 on their photocopiers.

Gatt report welcomes Ghana trade reforms

By Frances Williams in Geneva

GHANA's trading partners in Gatt yesterday welcomed the "substantial progress" in liberalising the Ghanaian economy but urged further reforms to boost economic performance.

At the same time, they acknowledged a more open economy made Ghana more dependent on better access to foreign markets and a strengthened international trading system, and thus on a successful conclusion to the Uruguay Round trade talks.

A report on Ghana's trade policies by the Gatt secretariat, discussed yesterday by its governing council, says sweeping reforms since 1983 have made a highly protectionist economy an outward-looking one. In face of constraints posed by Ghana's dependence on primary commodities and high indebtedness, the reforms had succeeded in improving economic efficiency and reviving the traded-goods sector.

Despite export diversification, cocoa still accounts for about half Ghana's export receipts, with minerals and timber products accounting for a quarter. Half Ghana's trade is with the EC, which gives preferential access to its cocoa and other agricultural exports under the Lomé Convention.

Ghana's reforms have included several currency devaluations and introduction of a market-based exchange rate system, a near-halving of average (unweighted) tariffs to about 17 per cent, and the scrapping of comprehensive import controls. But the Gatt report notes Ghana still has relatively high tariffs on consumer and "luxury" goods, protects much of domestic industry with special import taxes, and maintains a variety of state aids, discriminatory tax policies and export incentives and curbs. Mr Kojo Amoo-Gottfried, Ghana's ambassador to Gatt, said yesterday Ghana was committed to more reform.

De Klerk threatened with more attacks

By Patti Waldmeir in Johannesburg

WHITE extremists in South Africa have threatened more attacks on President F.W. de Klerk during the campaign for next week's referendum, after a teargas bomb forced him to flee a campaign meeting on Monday night.

The threats, issued by the neo-Nazi Afrikaner Resistance Movement) (AWB), highlight the security risk involved in the style of campaigning chosen by Mr de Klerk: informal walkabouts in shopping centres and university campuses, and impromptu meetings with the public. A presidential spokesman said yesterday there would be no change in his programme despite the attack.

Mr de Klerk is always flanked by several National party officials during his campaign strolls, but normally by only one plain-clothes security officer. (Others accompany his motorcade.) Whites and blacks alike crowd close to the president in cramped quarters, in an attempt to see him and shake his hand. Those accompanying his tour have expressed concern that such events provide ample opportunity for an assassin.

Monday's attack, in which Mr Kobie Coetsee, justice minister, was temporarily blinded, was carried out during a meeting with students at the University of the Orange Free State in ultra-conservative Bloemfontein, where Mr de Klerk was campaigning for a "yes" vote in next Tuesday's poll on political reform.

A local National party official said he recognised the attackers as members of the AWB. They yelled "Baboon, go back to the mountains" and "Traitor go home" before lobbing the tear gas bomb. Mr de Klerk and his wife Marike were hustled out of the hall by security men without injury.

Yesterday Mr Piet Rudolf, AWB spokesman, said Mr de Klerk could expect more such attacks, though he denied AWB involvement in the Bloemfontein incident. "He cannot refer to the AWB as Nazis and fascists without expecting some revenge," he said.

Mr de Klerk had earlier used those terms in condemning the right wing, which is campaigning for a "no" vote in the referendum. It was the first big disruption of his campaign since it began eight days ago.


De Klerk and his wife Marike leave the meeting after the teargas attack

The attack highlights the degree to which reform depends on the security of two individuals, Mr de Klerk and Mr Nelson Mandela, president of the African National Congress. Yesterday Mr Mandela was at pains to reassure whites, ahead of the referendum, that civil servants and security force members would not lose their jobs under an ANC government, though some might be retired on "favourable and secure terms."

He said the ANC would not be influenced by Zimbabwean President Robert Mugabe's plans to nationalise white farmland. "We will be influenced by our own conditions, not those of Zimbabwe," he told local newspapers. "Zimbabwe believes in a one-party state. We believe in a multi-party state."

Burmese atrocities alarm neighbours

By Alexander Nicoll, Asia Editor

MALAYSIA'S foreign minister, Mr Abdullah Ahmad Badawi, yesterday summoned the Burmese ambassador in Kuala Lumpur to express concern over Rangoon's treatment of its Moslem minority.

Its action was a sign of increasing international concern about events on Burma's western border with Bangladesh. Up to 170,000 Burmese Moslems, known as Rohingyas, have crossed into Bangladesh since last December, telling of widespread atrocities by Burmese troops.

Burma's south-east Asian neighbours have been reluctant to exert pressure on the military government in Rangoon to curtail human rights abuses, adopting a policy which they describe as "constructive engagement".

The regime, which is also engaged in a battle with insurgents near its eastern border with Thailand, ignored a 1990 election victory by an opposition party and *is detaining its* leader, Ms Aung San Suu Kyi, who was awarded the 1991 Nobel Peace Prize.

According to the British Red Cross, 5,000 or more refugees, mainly the elderly and women and children, are crossing into Bangladesh each day. Oxfam says that a new camp should be built each day to accommodate the inflow, and that the situation could worsen with the rainy season two months away. The UN High Commissioner for Refugees has drawn up a \$20m (£11.3m) aid programme.

In Bangladesh yesterday, refugees said that Burmese soldiers had killed hundreds of Moslems and detained thousands in western Arakan state in the past two weeks.

Rangoon says the Rohingyas, who have lived in its western Arakan province for generations, are not Burmese nationals and will not be allowed to return.

Ivory trade ban to remain despite African pleas

By Robert Thomson in Kyoto

INTERNATIONAL bans on the trade of elephant and rhinoceros products will remain in place, despite impassioned pleas yesterday from southern African nations that a relaxation would be in the best interests of the two threatened species.

The triennial conference of the Convention on International Trade in Endangered Species (Cites) also agreed not to impose limits on trade in Atlantic bluefin tuna, though Japan and other leading fishing nations promised to reduce their catching of the fish.

At least two southern African governments, Botswana and Zimbabwe, threatened to withdraw from the organisation after it became clear that a vast majority of the 114 Cites member states opposed the lifting of a three-year ban on trade in ivory and other elephant parts.

Both delegations argued that they could raise funds to expand their existing elephant conservation programmes through limited international sales of elephant hide and meat, and that a moratorium on trade in ivory would be maintained for at least the next two years. A disappointed Botswana said that it would now "weigh the costs and benefits of Cites membership".

While most other delegates were confident that the two governments will not withdraw, their threat highlighted conflicts among Cites members in defining "sustainable trade" in wildlife, particularly on emotional issues such as the elephant.

Zimbabwe also argued that a limited trade in rhinoceros horns would enable the country to bolster a campaign against heavily armed poachers whose slaughter of the species has intensified over the past years. Delegates from Zimbabwe said that "we shoot people to protect rhinos" and that "we place the survival of the rhino population above the survival of the Cites rules".

The bluefin tuna debate has provoked a strong reaction within Japan, the consumer of three-quarters of the bluefin exported from the western Atlantic, most of which is used to make sushi.

After a week of intense public pressure from industry groups and of furious lobbying by Tokyo, the Swedish government yesterday withdrew its proposal to ban trade in the western Atlantic variety, though it did extract promises of reduced catches.

Japan, supported by the US, Canada and Morocco, had argued that an existing body, the International Commission for Conservation of Atlantic Tuna, is successfully monitoring bluefin stocks, and that Cites should not impose restrictions.

The tuna argument highlighted the growing problem of Cites overlapping existing trade monitoring organisations, often industry-run. This was also shown in a debate on a Netherlands proposal limiting trade in two species of tropical timbers, which it argued should fall within Cites's jurisdiction.

However, Malaysia, a large exporter of tropical timbers, said the proposal was "ill-conceived" and that Cites "should not be used as a tool to straitjacket international trade in timber". The Malaysian government insists that the International Tropical Timber Organisation is responsible for overseeing trade in the product.

The tough Malaysian response was also an indication of the resentment felt by some industrialising countries at perceived attempts by the developed world to limit trade in what they regard as lucrative resources.

Thai election raises the price of corruption

Victor Mallet takes a look at some unusual alliances

THE PRICE of a Thai citizen's vote has risen sharply in brisk trading ahead of the country's general election on March 22.

Record offers of between 800 baht and 1,000 baht (£18 to £23) for a single vote have been reported from the hotly contested northern region of Chiang Mai, reflecting four years of spectacular economic growth in Thailand since the last election in 1988. Many politicians, according to the Thai press, are also once again hiring professional liars at 200 baht a day to sit in coffee shops and spread malicious rumours about their opponents.

The more sophisticated and powerful politicians – notorious for sudden switches of allegiance from one ideologically empty party to another in exchange for multi-million-baht transfer fees – can choose the more efficient method of vote-buying by purchasing officials at polling stations.

This practice, known as "booth-buying", has prompted the electoral authorities to threaten last-minute staff swaps between constituencies. More ominously, at least five people have been killed in violence related to the election campaign, some of them local party canvassers shot dead on the orders of their rivals.

In short, the election promises to be typically Thai. It is being held on the instructions of the National Peacekeeping Council (NPKC), the military junta which, citing excessive corruption, overthrew a year ago last month the elected government of General Chatichai Choonhavan in Thailand's 18th coup or coup attempt.

As canvassers from the 15 competing parties tour the countryside in vans mounted with loudspeakers and life-size posters of the candidates – many of them sporting military uniforms dripping medals and gold braid – Thais are debating some of the ironies of their topsy-turvy world.

When the military took over they were so anxious to show their good intentions that they installed an eminently respectable interim government led by Cambridge-educated Anand Panyarachum as prime minister. *He and his cabinet colleagues* promptly pursued their own agenda of economic reform and declined to authorise the purchase of all the new aircraft demanded by the air force. Yet they could hardly be removed without acute embarrassment for the junta.

Air Chief Marshal Kaset Rojananil, air force head and deputy chairman of the NPKC, announced last month that the NPKC was dissatisfied, complaining that, "when the government refused to obey, we did not know what to do".

The junta then added to the confusion by making electoral alliances with the very politicians that it accused of corruption and overthrew last year. Samakki Tham, or Justice Unity, a new party formed after the coup by the military to promote the military, has joined forces with Chat Thai - Gen Chatichai's old fiefdom - and the Social Action Party.

The Assets Examination Committee, established after the coup with the professed aim of tracking down the corrupt earnings of members of the Chatichai government, investigated 25 people, declared 10 of them to be "unusually wealthy" and ordered the confiscation of 1.9bn baht in assets.

However, the junta let them appeal in the courts and continue in politics, with the result that eight of the ten are standing in the election and may have the chance to grant themselves a pardon in a new government. "Unusually wealthy" politicians are prominent in the alliance of pro-military parties.

The moral high ground has proved equally elusive for the loose group of parties which are openly critical of military intervention in politics (and which are themselves dominated by retired generals). This is largely because the unelected Anand government installed by the armed forces has proved to be one of the most competent the country has known.

Mr Anand's cabinet has earned the respect of businessmen for implementing a series of much-needed economic reforms, although liberals have criticised it for crippling the labour movement by banning trade unions in state enterprises.

The administration's solid performance has taken the sting out of the anti-NPKC statements of the Democrats, the New Aspiration Party and Palang Dharma, the Bangkok-based party led by Gen Chamlong Srimuang, a devout Buddhist and popular ex-mayor who goes by the nickname "Mr Clean."


Chatichai: government thrown out last year

No party is likely to get close *to an outright majority in the* 360-seat House of Representatives. Liberals argue that the prime minister should at least be an elected member of parliament, rather than a military appointee, and the election will probably be followed by a period of intense horse-trading, with the transport, communications and commerce portfolios regarded as prizes because they offer exceptional opportunities for graft as the country's inadequate infrastructure is developed.

Air Chief Marshal Somboon Rahong, now leader of the Chat Thai party, and Gen Suchinda Kraprayoon, the army commander, are being tipped as possible prime ministers of a coalition government sympathetic to the military.

In any event, the armed forces have little reason to fear the election. Under a new constitution devised by the military, Gen Sunthorn Kongsompong, the NPKC chairman, will appoint a 270-member Senate on election day which will have the right to vote together with the elected lower house in no-confidence debates, and thereby give pro-military parties a strong influence over the choice of a prime minister.

If all else fails, the military could always stage a coup d'état.


Burning election issue: Left-wing demonstrators in the Philippines burn an effigy of President Corazon Aquino, which was placed upside down on a barbed wire barricade near the presidential palace yesterday. Presidential elections are to be held on May 11

Philippines aid 'not all disbursed'

By Jose Galang in Manila

THE PHILIPPINES has made surprisingly little use of aid pledged by international donor countries, according to an official report.

Of pledges totalling \$2.87bn (£1.67bn) made in 1989, some 39.4 per cent or \$1.13bn had been disbursed by the end of 1991, and of pledges of \$3.23bn at the 1991 meeting, only 19.6 per cent or \$633m had been disbursed as of December.

The slow rate of use will be the main focus at the next session of debt talks, chaired by the World Bank and beginning in Hong Kong tomorrow. Donors are expected to review the performance of the outgoing administration of President Corazon Aquino. Elections are due on May 11.

Leading donors are likely to commit themselves to continued support at least in the transition period to the new administration. The World Bank is expected to pledge up to \$900m of new financial assistance.

Mr Jesus Estanislao, finance secretary, is expected to explain that the government was hamstrung by a delay in congressional approval for last year's budget and difficulties in raising local counterpart financing for foreign assistance.

He will seek financial support for a debt reduction programme recently agreed with leading commercial bank creditors. Over the long term, he will seek commitments to programmes including power and water projects, environmental issues and poverty alleviation.

Fijians to vote for first time since coups

By Kevin Brown in Sydney

FIJIANS will go to the polls between May 16 and May 23 in the first general election under the islands' racially-biased constitution, introduced in 1990 in the wake of two military coups.

The dates were announced in Suva yesterday by Fiji's Electoral Commission. Mr Qoriniasi Bale, chairman, said the timetable was subject to approval by President Ratu Sir Penaia Ganilau, the head of state.

The election is expected to be won by the Fijian Political Party (FPP), which is supported by most of the traditional chiefs of Fijian society. Many members of the interim government which has run Fiji since the coups are expected to stand for the FPP.

The Labour party, the main opposition grouping, has said it will boycott the election, but a number of other opposition parties are likely to nominate candidates.

The constitution gives ethnic Fijians an automatic majority of 37 seats in a lower house of parliament which will have 70 seats. Ethnic Indians, who account for about half the population of 720,000, will have 27 seats and other races five. One seat is reserved for the outlying island of Rotuma.

NEWS IN BRIEF

Indonesian aircraft buzz East Timor protest ship

Passengers on a voyage to protest at the killings in East Timor said yesterday that aircraft from Indonesia – which warned against the sailing – had buzzed the vessel, AP reports from Darwin. About 150 people, mostly students and politicians, from some 20 nations are aboard the ferry, which is expected to reach Indonesian waters this morning.

They hope to lay wreaths in memory of protesters who died last November when Indonesian troops opened fire during a funeral procession in East Timor. Indonesia has said it will block the ferry Lusitania Expresso from entering waters around the former Portuguese colony it invaded in 1975 and annexed.

Indonesian officials say several naval ships are in place.

N Korean Scud freighter docks in Iran

A North Korean freighter, the Dae Hung Ho, believed to be carrying Scud missiles for Iran or Syria, has reached the Iranian port of Bandar Abbas, a Pentagon official said, AP reports from Washington. The US Defense Department has made clear that the navy was prepared to intercept the vessel.

US officials have been tracking a second ship, believed heading for the same port and carrying similar weapons.

Japanese opposition MP resigns

A Japanese opposition MP resigned yesterday to take responsibility for links to a scandal, Reuter reports from Tokyo. Mr Kenichi Ueno resigned after reports that he received bribes totalling Y5m (£22,000) last year from a resort developer.

Cameroon government beaten in poll

Opposition parties beat the authoritarian ruling party in Cameroon's first free elections in 32 years despite a boycott by most main government opponents, AP reports from Yaounde.

The voting showed President Paul Biya's unpopularity outside tribal bases in the south and centre of the Central African nation.

Republic status for Mauritius

Mauritius becomes a republic tomorrow but is to remain a member of the Commonwealth, Our Foreign Staff writes.

The Commonwealth Secretariat announced yesterday that Mauritius would become one of 29 member republics with their own heads of state, out of a total of 50 member countries.

Economic woes dent peace-time hopes of Lebanese

The main union claims government policies are 'anarchic and inflationary', reports **Lara Marlowe**

NEARLY a year and a half after the end of the civil war Lebanon's hopes for rapid reconstruction and a return to commercial and banking prominence in the Middle East have faded.

In the space of two weeks, the Lebanese pound lost 30 per cent of its value and inflation rocketed. At the start of the month, the main Lebanese trade union called for sit-ins and demonstrations to protest against government economic policies it calls "anarchic, inflationary and impoverishing". A general strike on March 6 was widely observed, reflecting the general discontent.

European Community foreign ministers have blocked \$86m in aid because of the continued detention in Lebanon of two German hostages. Hospitals have stopped accepting medical insurance pending a revision of inadequate payment schedules. Lebanon has even requested it be exempted from its annual \$550,283 Arab League dues because of economic difficulties.

Mr Omar Karami, Lebanon's prime minister, has accused the US of provoking the crisis by blocking foreign aid and opposing military sales which would strengthen the Lebanese army. But Lebanese are almost unanimous in blaming their pro-Syrian government for the débâcle.

"Searching for lost confidence," read a front-page headline in the French-language daily *L'Orient Le Jour*, summing up the country's despondent mood. "Every Lebanese knows the weakness of a worm-eaten administration which, like a cadaver, feeds a cloud of parasites through its own decomposition," the paper said. "Caught in a vicious circle. . . the more the state flails about like a drowning man, the deeper it sinks."

The government continues to spend far more than it collects in taxes,) and this coupled with its inability to attract reconstruction aid or increase state revenue are at the heart of the crisis.

The Lebanese government is the largest employer in the country, spending 50 per cent of its budget on salaries and another 40 per cent on servicing the public debt.

The root causes of the crisis have long been present: war-ravaged infrastructure, an import-based consumer economy and a cumbersome government bureaucracy.

A war-ravaged infrastructure and import-based consumer economy are at the root of the problems

But the runaway inflation and currency depreciation of the past few weeks were sparked off by two official moves, both announced on February 19: the central bank's decision to let the Lebanese pound float freely against the dollar and an across-the-board 60 per cent private sector pay rise.

Fighting between Israelis and Lebanese militiamen in southern Lebanon that same week further aggravated the downward spiral.

The Banque du Liban (BDL) had since mid-1991 stabilised the pound at about L£880 to the dollar. But worsening conditions late last year forced the BDL to spend up to \$400m in foreign currency reserves to support the pound. Faced with further depletion of its remaining \$856m in reserves, the BDL decided to cease intervention on currency markets. After a steep fall three weeks ago, the pound has stabilised at L£1170 to the dollar.

An emergency economic plan announced by the government simply reiterated old promises to limit government spending and increase state revenue. Interest rates on treasury bills were raised to more than 18 per cent, providing the government with cash but swelling the public debt, which now represents 57 per cent of the BDL's assets.

The policy of increasing taxation on consumer items such as fuel and cigarettes – and even collecting income tax – has done little to encourage Lebanese who enjoy negligible basic services and have seen prices shoot up some 40 per cent in two weeks. The ministry of posts and telecommunications this week ordered Lebanese citizens to pay phone bills by the end of the month or have their lines cut. The telephone system barely functions and no bills have been delivered for the past four years.

Even the price of arabic bread, the basic food staple here, was officially increased by 32.5 per cent at the start of the month. In spite of last month's pay rise, the official minimum wage still stands at just over \$100 per month, a ludicrous amount in a country where prices can rival those of Europe.

The pay rise was within days neutralised by the depreciation of the pound and concomitant inflation.

None the less, plans for a multi-billion dollar "Manhattan of the Middle East" to be built on the ruins of downtown Beirut continue under the aegis of Lebanese-born Saudi millionaire Rafiq Hariri's "Council for Development and Reconstruction". Positive political developments, such as the liberation of the two German hostages, progress towards an Israeli withdrawal from southern Lebanon or even the successful holding of parliamentary elections (vaguely promised for this summer or autumn) could bolster the confidence that is now so sorely lacking.

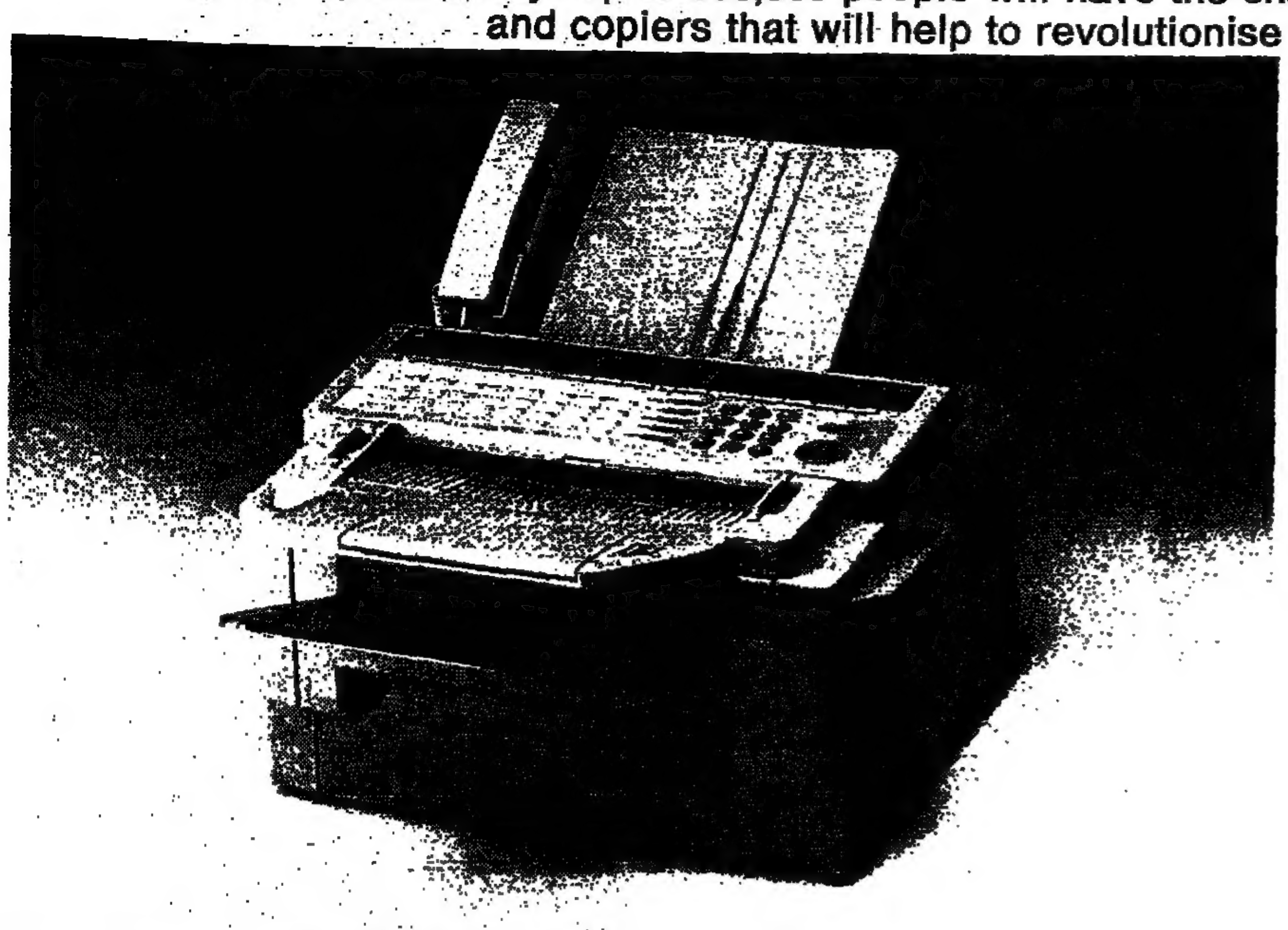
But the decline of recent weeks has at least temporarily confounded those Lebanese who claimed their dynamism, entrepreneurial fervour and free-market economy would suffice to raise Lebanon from the ashes of war.


Two Christian boys buy thyme cake from a street vendor in battered east Beirut: there is peace, but little prosperity

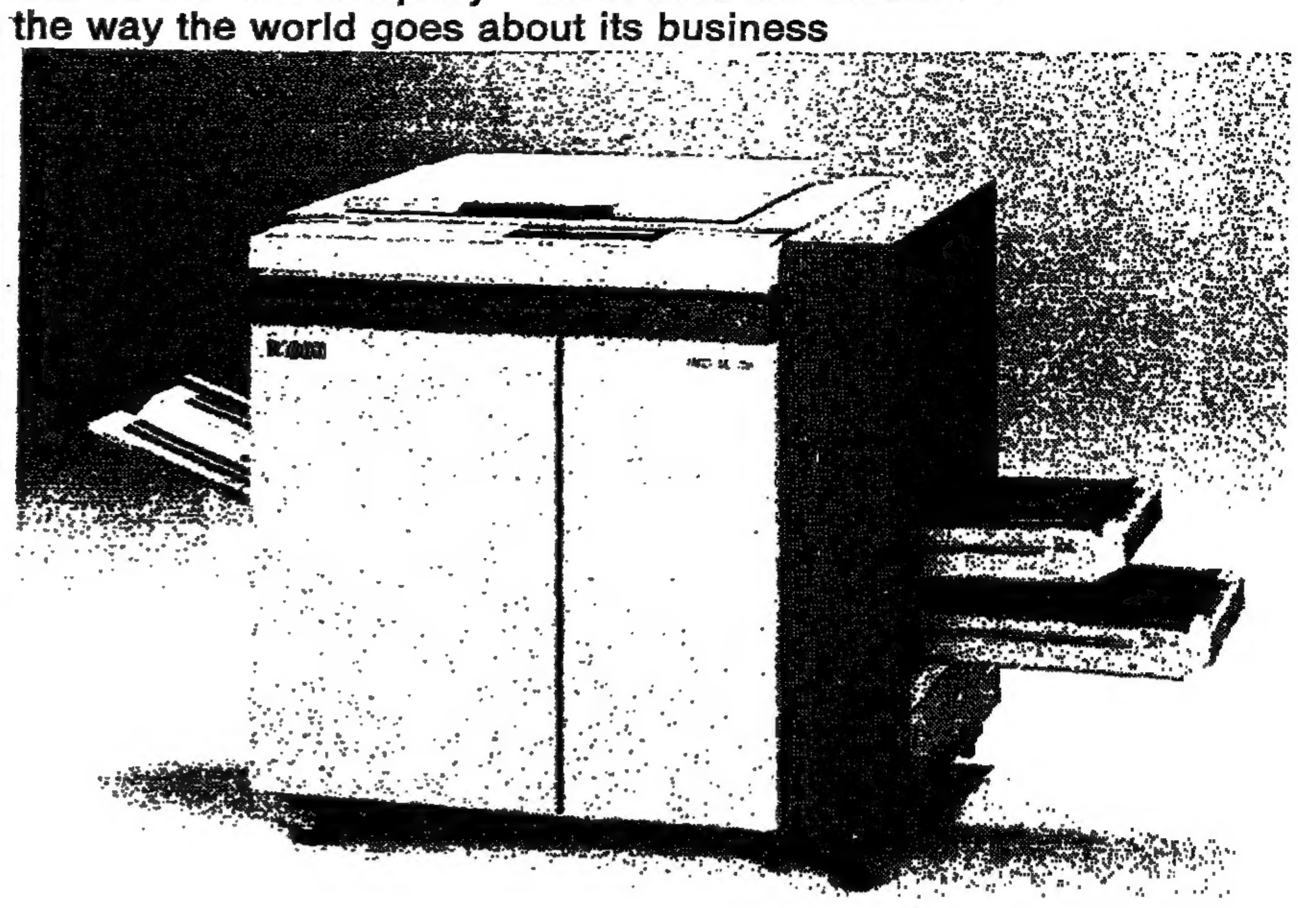
ADVERTISEMENT

TOMORROW'S BUSINESS WORLD

Ricoh, a leader in office automation, is set to play a starring role in CeBIT '92, the world's largest fair, which opens today. Up to 600,000 people will have the chance to see the company's innovative fax machines and copiers that will help to revolutionise the way the world goes about its business



Ricoh Fax 3000L: the mega-memory plain paper fax



Ricoh NC 8015: the fastest digital full-colour copier

RICOH will be one of the star attractions when CeBIT 92, the biggest fair in the world, opens in Hanover, north Germany, this morning.

The fair, dedicated to the latest developments in information and telecommunication systems, is a fitting showcase for Ricoh, a world leader in office automation. More than 600,000 visitors are expected in the coming week, and those who want to know how the future will work must visit the Ricoh stand. There they will find the fax machines and the copiers that are revolutionising the way the world goes about its day to day business.

CeBIT '92 may not have had the world-wide exposure of Expo '92, which is due to open next month in Spain's historic city of Seville. Nor does it have the international glamour of the 1992 Summer Olympics Games, which will begin in Barcelona at the end of July. But the thousands of visitors who will crowd into the 271,000 square meters of the HanoverMesse in the coming week will have travelled from all over the world to see the very best and brightest new products.

CeBIT is the highlight of the communications technology world. It is the place to be seen, to show the latest products, and clinch deals. The venue in Hanover, which will host Expo in the year 2000, is one of the largest of its kind in the world.

Now in its seventh year, CeBIT this year is bigger than ever and provides a comprehensive showcase of modern technology. More than 5,000 exhibitors from 45 countries are there to highlight the latest opportunities in office automation, information and communications technology and computer and networking equipment. Ricoh has a prominent place among the exhibitors and will be displaying its latest range of products spread over a 1,525 square metre stand.

Although founded in Japan more than 50 years ago, Ricoh's European character is highlighted by the fact that over the next week about 800 Ricoh European employees, dealers and distributors will be at the stand. Coming from Norway, France, the UK, Italy, Spain, the host country Germany and many others, they are living proof of the way Ricoh has established itself in Europe over nearly three decades.

Since establishing its first subsidiary in Europe in 1963, Ricoh Europe BV, from its Amstelveen headquarters in the Netherlands, co-ordinates its seven sales subsidiaries and a financial subsidiary as well as the two production subsidiaries at Telford, in England's West Midlands, and Colmar, in France's Alsace region.

But by no means will all, or even most, of the visitors to CeBIT '92 be technical experts or people with a professional interest in the exhibits. For CeBIT attracts tens of thousands of the general public, all eager to see the kind of products which they will be using in their offices, or homes, the day after tomorrow.

Most of the products on display are designed to make our everyday life easier and our life at work simpler and more productive. Fax machines, for example, which are considerably faster than today's in sending or receiving messages. Copiers which can cope with greater demand. Others which will provide colour copies of a reproductive quality and accuracy which would have been thought impossible a few years ago.

Visitors to Ricoh's stand, for example, will be able to see some of the very latest of the global group's technology — like the Ricoh NC8015, a digital full colour copier, or the Fax 8000 DT, a full colour facsimile, and the LP 1200, the group's new 6ppm laser printer.

RICOH

Official Olympic Facsimile Network Sponsor

The countdown to gold and glory

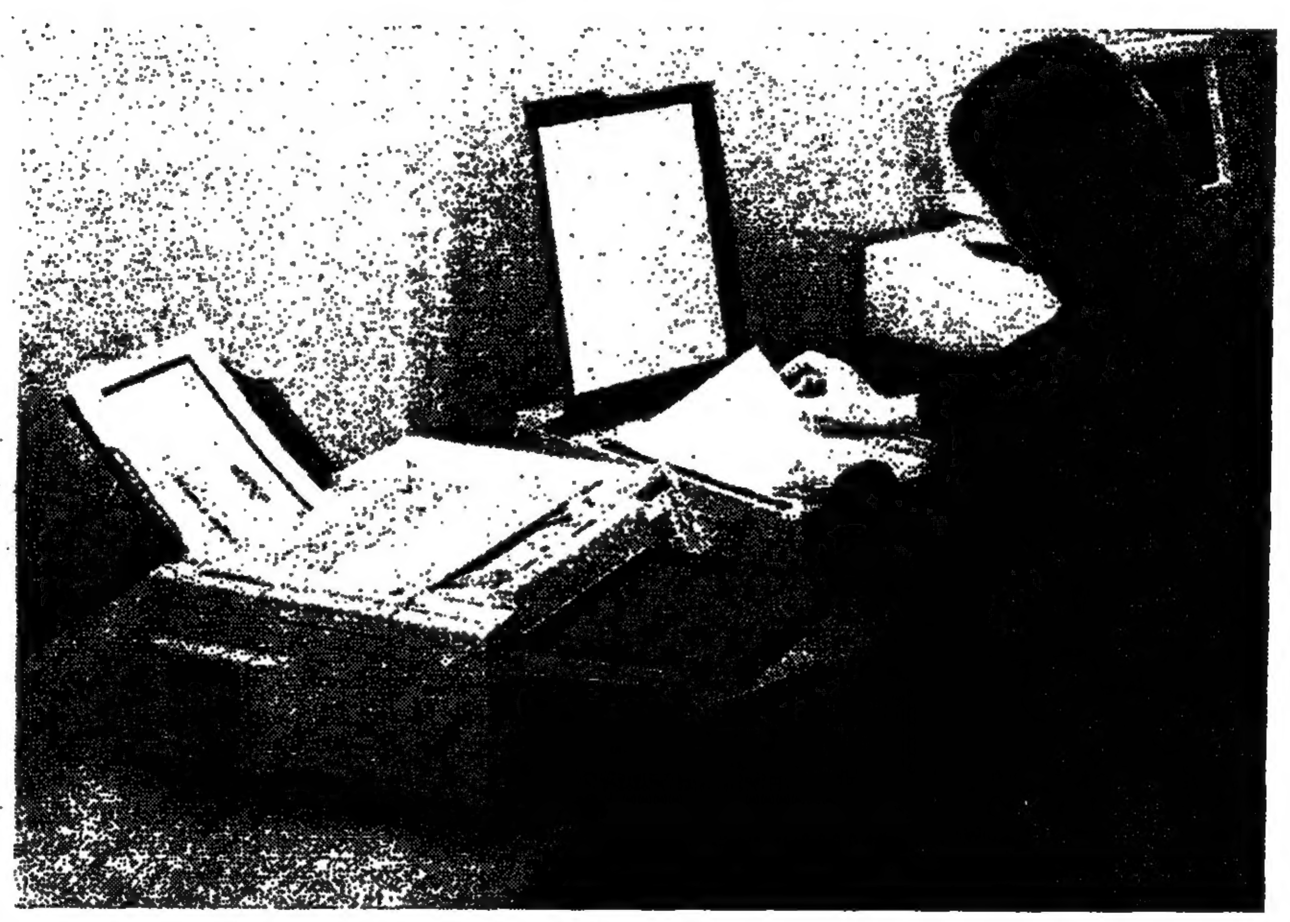
WITH THE Winter Olympics in Albertville, France, successfully behind them, the Olympic organisers are now devoting their full energies to finalising the arrangements for the Summer Olympics in Barcelona, Spain.

By the time the Olympic torch has completed its 5,000 kilometre journey around Spain and the final torch-bearer lights the flame at the Opening Ceremony in the Montjuïc Olympic Stadium on July 25, the Olympic organisers will have completed the complex organisations for the biggest Olympic Games ever.

The official sponsors to the Games will have played their part, including Ricoh, which, as Official Fax Sponsor, has completed the installation of the first facsimile network in history.

Not only has Ricoh created a worldwide network which links more than 160 companies on six continents with the International Olympic Committee's headquarters in Lausanne, Switzerland, and the Olympic sites in Barcelona and the other Spanish towns where events are being held.

Ricoh has taken great care in the smallest details in providing the right individual machine to meet the special needs of the users. So Ricoh is providing a range of faxes for COOB, the Barcelona Olympic Organising Committee, which include 350 units of the Ricoh Fax 80, 50 units of the Fax 85 and 50 plain paper facsimile machines. Ricoh faxes will also be available at the Telefonica telephone and fax booths which will be situated in strategic areas at the Games venues.



Ricoh LP 1200: FLASHROM-equipped to reduce downloading

Such examples of Ricoh's new products highlight two of Ricoh's main themes at CeBIT '92 — the "Technological Twins", known in the trade as "Digitalisation" and "Colourisation".

Put simply, digitalisation is the increasing use of digital technology in both fax and copier machines. Currently around 90 per cent of all our copiers, for example, work on an analog system. By the year 2001 it is anticipated that around 80 per cent will be based on a digital system.

The consequences? Faster copying results with higher quality reproduction and, ultimately, more competitive prices.

Colourisation speaks for itself. The application of high-quality colour technology for both copiers and fax machines in the office is just around the corner. "Colour and digitalisation are undoubtedly the way of the future," says Ricoh Europe's Eric Huygen, deputy general manager.

On show at Hanover is Ricoh's NC 8015, a copier which combines digital technology with full colour reproduction. At a continuous copy speed of 15 full-colour A4 copies per minute on plain paper, the NC 8015 is the fastest system in its category in the world.

The new Ricoh NC 305 responds to the needs for both black and white, and colour. In black and white mode it can copy at a rate of 30 A4 copies a minute. In its basic 3-scan mode the NC 305 delivers a full-colour copy within 20 seconds and follow-up copies at a rate of five a minute.

Ricoh's next generation fax — the Colorfax 8000 DT, the machine the company calls "Tomorrow's facsimiles today", will be one of the highlights of the show. The Colorfax 8000 DT confirms Ricoh's technological edge in the fax world as befits the company which, as official fax sponsor of the Summer Olympic Games in Barcelona this year, has installed the world's first Olympic facsimile network.

Combining extraordinary clarity of reproduction with accurate colour and impressive speed, the Colorfax 8000 DT includes a monitor which checks all incoming data and will only print out when the machine is satisfied that the quality is absolutely right.

Will all copiers in the future produce in colour? Ricoh's President, Hiroshi Hamada, believes that there is room for both colour and black and white in the office of the future: "We do not expect that complete colourisation will take place because there are so many areas in which black and white is sufficient. However, there are areas in which people are using colour, so in the office, eventually, we will have both black and white and colour."

Another new colour development on show at CeBIT '92 is Ricoh's FS1 S, a new colour scanner which Ricoh claims far surpasses other colour scanners in technology and speed.

One of the advantages of an international trade fair of the size and scope of CeBIT is that companies can display not only their future designs, but also their existing successful products and those about to be launched on the market.

One of the latter is Ricoh's Fax 3000L, a new fax using plain paper rather than special thermal fax paper. The FAX 3000L's new engine offers less expensive running costs, new seamless OPC and strong durability.

As befits the Olympic Official Fax Sponsor, Ricoh is going out of its way to display its new fax products at CeBIT '92. Apart from the new generation 3000L, Ricoh is presenting its mega-memory fax, the Fax 550, which will be available immediately to customers. Speed is one of the Fax 550's claims to fame, with its document read time of a mere 4.5 seconds and a high transmission speed of 10 seconds for an A4 page.

Professionals and home office users are likely to be attracted to the new compact Ricoh Fax 01, with its automatic telephone/fax change facility, while the Ricoh Fax 02 has a 128KB memory which allows documents to be transmitted in the absence of the user and can also transmit a single document to several different recipients.

Small businesses are a main target of the new Ricoh Fax 240, although it could also prove a boon as a personal desktop fax or a satellite fax in a larger organisation. Documents received are also automatically cut to size and de-curled, thus obliterating that annoying habit of fax paper to roll up.

Another new Ricoh product which will be demonstrated to CeBIT '92 visitors is the LP1200, a desk top laser printer with its wide range of features, including FLASHROM, which means that users no longer have to download software fonts every time they use the printer. FLASHROM also enables the user to upgrade the controller firmware downline using a User Registration Card, because Ricoh recognises that any new printer language could soon become out of date due to the rapid innovations in the printer industry.

Another innovation in the world of office automation is "networking", a buzz-word which will be heard a lot in Hanover during the next few days and which refers to the integrating of fax and copiers with printers and the desk top computer.

Ricoh is using CeBIT '92 to introduce its LP5100, an A3-size laser printer specially designed for a network environment. Not only has the LP5100's print engine been built to be highly reliable, but Ricoh has also paid attention to ease of maintenance. The LP5100 is constructed to avoid complicated paper feed problems, and it is simple to check and repair should this ever become necessary.

Ricoh brings two special strengths to CeBIT '92 and the European market.

The first is the global spread of an international group which now employs 44,500 people in 127 subsidiaries and 24 modern production facilities.

The second is a long tradition of devoting considerable money, commitment and engineering talents to research and development from which the products now on display at CeBIT '92 have been developed.

Ricoh spends over 5 per cent of its net sales on R&D centred on the Ricoh Research and Development Centre, based near Yokohama, about an hour from Tokyo. The Centre's R&D activities are strongly supported by various specialised research centres and laboratories, seven in all. In Europe, Ricoh's European Fascimile Design centre, started in Frankfurt, Germany in 1986, has become an integral part of Ricoh's European operations by planning and designing fax machines specifically geared to the needs of the different national markets within Europe.

CeBIT '92 highlights the latest developments in a global leader like Ricoh for one week in Hanover. But what really counts is the quality of the products and service that a group such as Ricoh can provide all the year round, thanks to its global reach and its growing strength in the European market.

RICOH CeBIT '92 HANNOVER

11 – 18 MARCH 1992

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Foreign groups in Venezuelan oilfield bids

By Joe Mann in Caracas

A TOTAL of 19 companies and consortia, including BP and Shell, have tendered to operate inactive oilfields in Venezuela, in the first attempt to open up *the country's oil industry* to foreign investment since it was nationalised in 1976.

Over the last 16 years, private companies have not been allowed to work in the production of Venezuelan crude oil, or in other areas of petroleum activity reserved for the state.

The national oil company, PDVSA, asked for bids on 55 inactive oilfields in nine different geographical areas. Venezuelan and international companies offered bids on only five of the nine areas identified as production units by PDVSA.

The Venezuelan company *said 88 consortia had originally* expressed interest. While the turnout was relatively low, PDVSA was encouraged by the fact that BP and Shell – two of the world's largest oil companies – *participated.*

PDVSA estimates that probable reserves in the nine areas up for bidding stand at 357m barrels, while possible reserves are 1.17bn barrels.

The areas contain light, medium and heavy crude oil, as well as condensates and natural gas.

● Venezuelan President Carlos Andrés Pérez appointed at least one political opponent *to his cabinet in a shuffle* designed to broaden his support and overcome a leadership crisis, Reuter adds.

The president, under pressure to resign since a failed coup attempt last month, shuffled five ministers and several ministers without portfolio.

Mr Humberto Calderon Berti, an oil minister in a former social christian COPEI party government, was appointed foreign minister.

American productivity rises 0.3% last year

THE productivity of American workers inched up 0.3 per cent last year as the economy struggled to emerge from the recession, the US government said yesterday, AP reports from Washington. The growth reversed two years of decline.

The Labor Department also said productivity in the final three months of 1991 jumped a revised 1.7 per cent annual rate, more than the 1.1 per cent estimated *initially.*

Productivity had increased by a 0.9 per cent annual rate in the third *quarter*, 1.9 *per cent* in the second and 0.1 per cent in the first.

Increased productivity, defined as getting more output from workers per hour of work, is considered vital to increasing Americans' standard of living without increasing inflation. It also boosts the competitiveness of US goods overseas.

The 0.3 per cent annual growth in *productivity* was a bit stronger than the 0.2 per cent initial estimate.

Brazil steps up war on cartels

By Christina Lamb in Rio de Janeiro

THE Brazilian government's *continuing war against cartels* and oligopolies intensified yesterday with the summoning of representatives from various industries including steel and paper to explain "abusive price rises".

Some 90 legal suits have been started against various companies, mainly in areas of pharmaceutical products and household cleaning items, for raising prices by as much as 90 *per cent above inflation this* year, to compensate for falling sales.

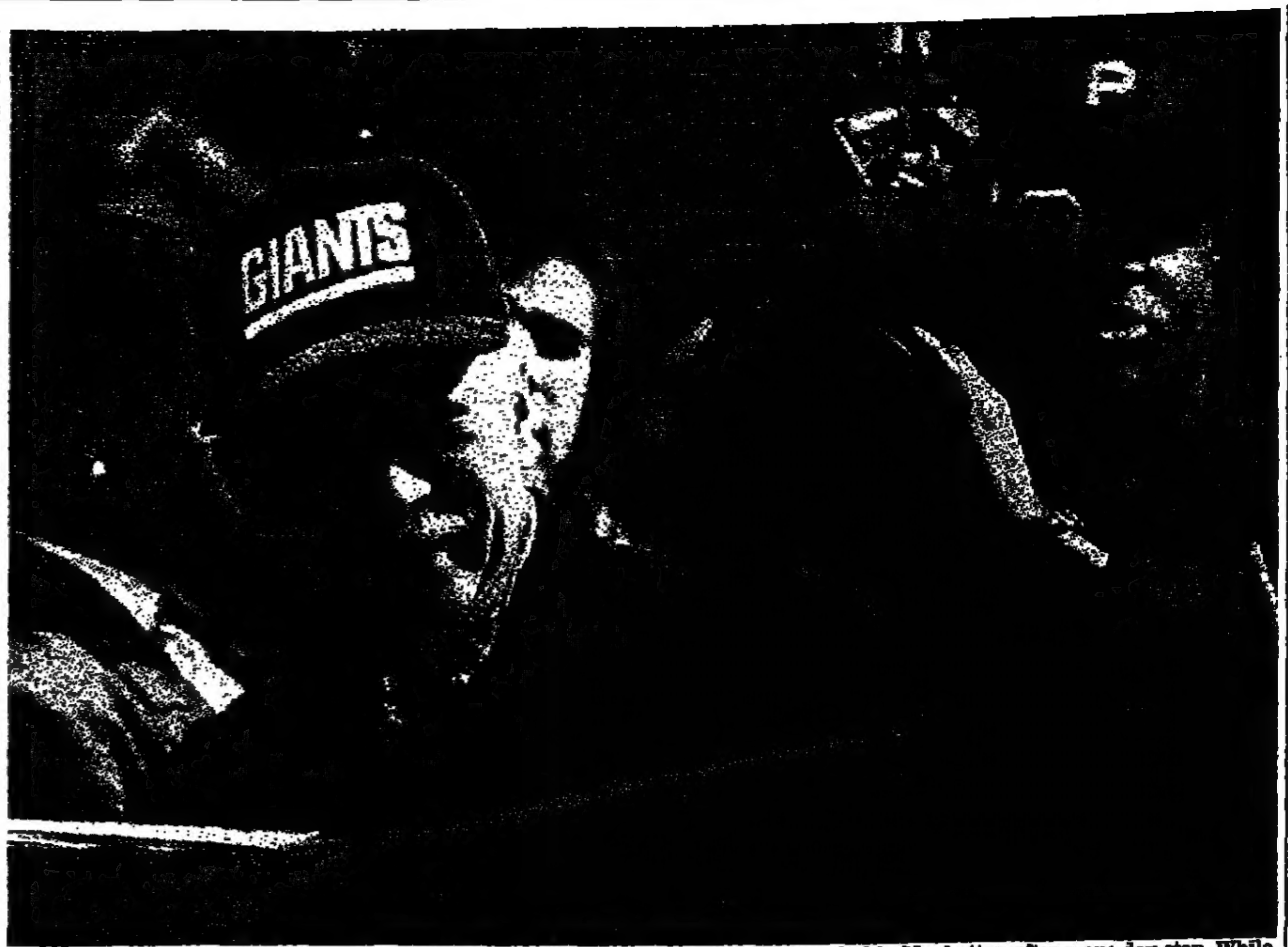
The decision came amid predictions that last month's inflation figure (due to be released today) would reach 24 per cent. Although lower than January, it is higher than the government *had been hoping*; the index for Rio, published yesterday, was still above 25 per cent.

Economy ministry officials said they remained sure the downward trend would speed up, and are working on the basis of 21.2 per cent for March.

They blame the continued high index on the behaviour of cartels and oligopolies.

One sector especially under fire is the car industry. Many car dealers have been refusing to buy vehicles because of frequent price rises. Yesterday, the Car Dealers Association said they would begin legal proceedings against manufacturers for "abuse of prices".

The government is expected to threaten accelerated reduction of import tariffs on products where increases have outstripped *inflation*. Other ideas include reimposition of price controls.



New York's Mayor David Dinkins smiles as he is mobbed by the media on leaving hospital in Manhattan after a one-day stay. While admitting he was not fully recovered from a bout of flu, he assured New Yorkers that their mayor "was back at the helm"

OECD lists top three research spenders

THE US, Germany and Japan top the league of industrialised countries investing in research and development, a motor of economic growth, according to Organisation for Economic Co-operation and Development statistics published yesterday, Reuter reports from Paris.

But while 60 per cent of US money goes into military projects, Bonn and Tokyo are *most active in funding civilian* science and technology, reaping rich export benefits.

Figures released by the 24-nation OECD as science ministers met in Paris showed that research and development accounted for 2.8 per cent of US, German and Japanese gross domestic product.

This compared with only 1.3 per cent in Canada and Italy.

Private enterprise accounts for most science spending in *Japan and Germany* but the government finances half of all research and development in the US.

Only in France does the government role in funding approach the US level.

Defence takes the lion's share of research and development budgets in the US and a sizeable share in Britain and France – but gets less than 11 per cent in Germany and Japan, the figures showed.

The US was one of the few *OECD countries* where the share of research and development carried out in the civilian business sector did not grow in the 1980s.

Japan, with the fastest growth rate for private sector science spending, became even more oriented towards industrial research and development.

In the European Community, industrial investment in research and development grew through the 1980s while *the proportion financed by governments* declined significantly.

Noriega says he will not testify

By Henry Hamman in Miami

FORMER Panamanian leader General Manuel Antonio Noriega *said yesterday* he would not testify in his drug-trafficking conspiracy trial in Miami.

He said he had made the decision because "my presentation would have to be limited not to include political matters, issues of war, and the (1989 US) invasion."

The decision was announced as the general's defence rested its case in the trial underway in Miami since last September.

Prosecutors yesterday began to present a rebuttal case in which several agents of the US Drug Enforcement Administration (DEA) will testify.

If convicted on 10 drug and racketeering counts, Gen Noriega could get up to 140 years in prison.

In a hearing before trial judge Mr William Hoeveler, with the jury absent, one of Gen Noriega's attorneys, Mr Jon May, asked the judge to order the government to make further disclosures which the defence had a right to know.

A major part of the defence argument rests on the fact that the DEA did not inform either prosecutors or the defence about an on-going money-laundering investigation it had carried out with Panamanian authorities until after the prosecution had completed presenting its case against the general.

A former Panamanian legislator *testified on Monday* Gen Noriega personally lobbied for a tough anti-drug law finally passed in late 1986. The legislation *made drug prosecutions* easier and for the first time outlawed money laundering.

Winds of change may be gaining pace in Ecuador

Sarita Kendall examines the pre-election mood

"THERE ARE strong *winds blowing every*where else," said a leading Quito businessman, "but not even a breeze here."

That was a little unfair to Ecuador President Rodrigo Borja, who has begun the process of opening-up the country, albeit more gradually than most of his neighbours. Tariffs have been lowered and tax reforms introduced, and Ecuador now finally expects to join the General Agreement on Tariffs and Trade (Gatt) and is taking part in regional trade agreements.

Nevertheless, the fear that Ecuador is being left behind by political and economic developments in Latin America has strengthened the chances of the two front-running candidates in May's first round of presidential elections: Mr Sixto Duran and Mr Duran, both linked to the private sector.

The state apparatus has, if anything, grown in size and power under the current Social Democrat government. Relations between the public and private sectors have been thoroughly acrimonious and were exacerbated by a recent dispute over the price of medicines which led to arrests. Foreign investors are so frustrated by bureaucratic tangles and the slow pace of negotiations that, according to one oil man, "we sometimes wonder whether they really want for*eign companies here.*"

Despite its rich resource base and stable democratic government since 1979, Ecuador's per capita income dropped during the 1980s, following the Latin American trend. While annual inflation never reached triple figures, it has remained around 50 per cent over the last three years. This year's aim is to reduce the rate to 30 per cent by June, but, with elections approaching, there is pressure to ease off austerity and encourage economic reactivation.

It seems unlikely that the government and the banks will make any progress towards resolving the debt problem at this late stage. The total for*eign debt stands close to $12bn*, and Ecuador has reached agreement with the International Monetary Fund and the Paris Club. But the government's unshakeable proposal for a 78 per cent discount on the $5.7bn commercial debt, combined with its failure to keep up full interest payments, has left bankers disenchanted.

Although banana and shrimp exports leapt to record *levels* last year, oil still contributes about 40 per cent of foreign earnings and half of fiscal income: lower oil prices are *having a serious impact on* government finances.

Fears emerge that the country is being left behind

Oil production has stabilised at about 300,000 barrels a day, with small new fields compensating for declining reserves in the older structures. But the revamped and inflated state oil corporation has stalled on new exploration contracts.

Infrastructure and the public services have suffered as a result of keeping charges dampened down and lack of investment. Low rainfall along *the eastern Andean cordillera* reduced the water flow into the country's main hydro-electric at Paute to a dribble. Electricity cuts of more than 10 hours a day in early February disrupted industries, services, traffic, lights and homes, while officials argued about who was to blame – not so much for the drought, as for the poor planning and silted up reservoir which foretell future electricity shortages.

Mr Borja did, however, enjoy a sudden spurt in popularity as a result of Peruvian President Alberto Fujimori's visit to Ecuador in January. Quito's residents gave Mr Fujimori an expectedly warm welcome, and both the Ecuadorean military *and political candidates* have been forced to recognise that the 50-year-old south-eastern border problem is no longer an issue to rouse Ecuadoreans.

An "honourable" solution now seems possible, perhaps involving papal arbitration and Ecuadorean access to the Amazon river.

Both Mr Duran, who leads the presidential opinion polls, and Mr Nebot, who is second, apparently favour a border agreement. Those further down the list – there are 12 presidential candidates in all – *probably have little chance of* victory, though the run-off system can cause surprises: unless one candidate wins more than 50 per cent of the vote on May 17, when congressional and local government elections also take place, the two leading contenders go forward to a second round in July.

Mr Duran, a former public works minister launched by the United Republican Party, presents himself as the friendly, experienced businessman who can get roads built and pull the country out of eco*nomic stagnation* without radical upsets. Mr Nebot, younger, less predictable and more charismatic, has strong support from the private *sector of* Guayaquil and belongs to the Social Christian Party. Economic liberalisation, privatisation and attracting foreign investment form part of both candidates' platform.

The next president, who will take office on August 10, not *only has a backlog of financial* and economic problems to deal with, he must also face the fact that Ecuador is no longer such a peaceful backwater. Bomb scares, murders and armed robberies are commonplace. Drug use, drug trafficking and money laundering are increasing and estimates of the drug money filtering through now run from $500m to over $1bn.

While Ecuador is still seen as a *drug transit* country rather than a production centre, Mr Borja's successor may have trouble keeping it thus.

THE UK BUDGET

The chancellor's statement in brief

The Budget, the annual government statement on monetary and fiscal policy, determines the economic strategy for the forthcoming year. Mr Norman Lamont, who yesterday delivered his second Budget as chancellor of the exchequer, followed parliamentary tradition by reviewing the economic climate in which the government has made its tax proposals and gave a brief forecast of the prospects ahead. Although Mr Lamont outlines the state of public finances, his Budget speech is not used to announce new public spending plans. Such expenditure is announced in the Autumn Statement – the chancellor's other main statement to Parliament. Yesterday, however, Mr Lamont pledged to end this anomaly if the Conservatives are re-elected. He promised a single fiscal and public spending statement. The Budget speech is also supplemented in the Financial Statement and Budget Report – known as the Red Book, which details background information on the chancellor's statement. Further details are also released in notices from the Inland revenue and Customs and Excise. There were 77 such notices in 1991. Following the chancellor's statement, MPs have the opportunity to discuss the proposals in a Commons debate lasting two days.

New lower band of tax

The chancellor left the 25p basic tax rate unchanged but introduced a lower rate of 20 pence in the pound for the first £2,000 of taxable income. The change, which Mr Lamont said would benefit the low paid, will make most taxpayers about £2.64 a week better off. The ceiling on mortgage tax relief was left unchanged at £30,000, but will be applied at 25 per cent throughout despite the new 20p rate.

● **Personal allowances:** Income tax and age related allowances will rise in line with inflation. The married couple's allowance will be frozen this year, but husbands and wives will be allowed to transfer this allowance from the husband to the wife or to share it equally. The wife will be allowed to claim half the allowance at her own request.

Pensions increase

Single pensioners on income support will get an extra £2 per week and married couples an extra £3 a week from October.

Boost for car industry

The rate of car tax was halved from 10 per cent to 5 per cent at midnight last night. The capital allowance limit on business cars will be raised from £8,000 to £12,000 so that 80 per cent of business cars will be treated like any other business asset. Taxis, car hire firms and driving schools will be allowed to reclaim VAT when they buy cars.

The chancellor said he would also consider how to move to company car tax scales based solely on the price of the car rather than the size of its engine. The VAT charge levied when firms offer employees a choice between a car or extra salary will be scrapped.

Excise duties raised

On alcohol, diesel and unleaded petrol, duty will rise in line with inflation. On leaded petrol it will rise by 7.5 per cent, widening the differential between taxes on leaded and unleaded petrol to 5p per litre.

Duty on cigarettes and other tobacco (including the chancellor's own favourite – slim panatellas) will rise by about 10 per cent, raising the price of a packet of 20 cigarettes by 13p. Pipe tobacco will rise in line with inflation. Vehicle excise duty on cars will be increased by £10 to £110. Betting duty will be cut from 8 per cent to 7¾ per cent.

Help for companies

No change in corporation tax rate or depreciation allowances.

No business will face an increase in the uniform business rate higher than the rate of inflation. This includes those properties protected by the transitional arrangements set up to ease the switch from rates to the UBR in 1990. Occupiers of new premises, currently not eligible for transitional relief, will inherit the transitional protection of the previous occupier. Most business assets will now be exempt from inheritance tax so that family businesses can be passed on without a tax charge. The business expansion scheme will be scrapped from the end of 1993 but the chancellor announced measures to make it easier to use the BES for mortgage rescue schemes.

Small businesses

To improve the speed at which bills are paid, bigger companies will have to state in their annual reports how quickly they pay bills. Government contracts will include clauses requiring contractors to make prompt payment to subcontractors. The limit for employers making quarterly rather than monthly PAYE and NIC payments will be increased to £450.

Savings and Inheritance

The annual limit on Personal Equity plans (Peps) will be raised from £3,000 to £6,000 for unit and investment trusts. The threshold for inheritance tax will rise by more than inflation to £150,000. The amount of capital gains exempt from tax will rise in line with inflation from £5,500 to £5,800.

Value Added Tax

Penalties for mistakes on VAT returns will be reduced so that a penalty will no longer be imposed for an error of less than £2,000. The system under which small businesses with turnover under £300,000 can defer VAT payments until bills owing to them are paid will be extended to traders who owe Customs and Excise up to £5,000.

The film industry

Tax relief for pre-production costs will be available as it is incurred and production expenditure will be written off at a flat rate of 33 per cent once the film is finished.

Charitable giving

The minimum level for a single charitable donation that qualifies for tax relief will be reduced to £400 from £600 from July 1.

EMMA TUCKER

An unbalanced Budget

Budget giveaways totalling £1.49bn were more modest than the City was expecting. But moderate economic growth and depressed tax revenues mean that the government is expecting a public sector borrowing requirement of £28.1bn, higher than expected.

PSBR doubles

Between 1991-92 and 1992-93, total expenditure is expected to rise by £22bn while total revenue increases by just £7.7 bn. A PSBR of £28bn, up from £13.8bn in this current fiscal year, is equivalent to 4½ per cent of GDP. Excluding £8bn of privatisation receipts the figure rises to 5¾ per cent of GDP in 1992-93.

A medium-term fiscal strategy:

According to the Red Book, the government's objective is to "balance the budget over the medium term . . . The budget will return towards balance as activity recovers."

Fiscal imbalance:

General government expenditure is forecast to peak in 1992-93 at 41¾ per cent of GDP, up from 40½ per cent in the current fiscal year, before falling again as annual GDP growth rises above 3 per cent. Tax revenues are expected to fall by 1 percentage point to 37 per cent of GDP in 1992-93 and then to rise in subsequent years. But the PSBR is still forecast to remain in deficit up to 1996-97, by which time it will have fallen back to ¾ per cent of GDP.

'A Budget for recovery'

Economic growth will resume this year, the chancellor said. The recovery will "start slowly but gather pace" encouraged by falling inflation at home, and by rising confidence and falling interest rates in the US and Europe.

The chancellor blamed the "unexpected weakness" of the US and world economy for undermining the "clear signs of renewed growth in the late summer and early autumn of last year." GDP fell by 2½ per cent last year.

The defeat of inflation will bring "enormous benefits to British businesses and families", he said. But unemployment is expected to carry on rising "for some time", although at a slower rate.

He confirmed the government's commitment to membership of the European exchange rate mechanism. Sterling will be moved to narrow bands within the ERM at its current central rate of Dm2.95 "in due course."

The highlights of the forecast are:

● **Growth resumes:** GDP grows by 1 per cent this year. This is slightly higher than the consensus of City forecasters, but substantially lower than the 2¼ per cent growth the government forecast in its Autumn statement. The recovery is expected to gain momentum in the second half of the year. GDP grows by 2 per cent higher in the second half of 1992 compared with the samer period a year ago, and 3 per cent in the first half of 1993.

● **Inflation falling:** Retail price inflation falls to 3¾ per cent by the end of 1992, and to 3¼ per cent by the middle of next year. Factory gate price inflation falls further to 1½ per cent by the middle of 1993.

● **Deficit widens:** The current account deficit rises to £6½bn this year, and to £9bn, at an annual rate, in the first half of 1993. Exports grow by 3½ per cent in 1992, lower than the 6 per cent forecast in the Autumn Statement, but imports grow by 4 per cent. By the first half of 1993, exports growth rises to 6½ per cent and import growth to 8¼ per cent as the world and UK recoveries gain momentum.

● **World recovery:** There is a modest world economic recovery this year. The total output of the seven largest industrialised countries grows by 1½ per cent this year and by 2¾ per cent in the first half of 1993. World trade ion manufactures grows by 4 per cent this year.

● **Sluggish spending:** Consumer spending grows by 1 per cent this year, but picks up to 3 per cent in the first half of 1993. Fixed investment spending falls by ½ per cent in 1992 but grows by 3½ per cent in the first half of 1993.

The last as we know it . . .

Whoever wins the election, yesterday's budget was one of the last as we know it. Mr Norman Lamont, the chancellor, began his speech with the announcement that from December 1993, tax and expenditure decisions will be brought together and announced in a December budget – an idea already touted by the Labour Party. The new "crystal clear" budget will show "where the money is coming from and where it is going to," said Mr Lamont.

EDWARD BALLS

Motor industry expects cut in car tax to boost sales

By Kevin Done, Motor Industry Correspondent

THE British motor industry forecast yesterday that new car sales could jump by around 70,000 a year as a result of yesterday's Budget which cut the rate of car tax from 10 to 5 per cent.

The Budget speech was warmly welcomed by car makers and dealers, whose fortunes have suffered in the last two years, as new vehicle sales have plunged with the sharpest fall into recession in the post war period.

The halving of special car tax is expected to cut the cost of a typical family car costing £10,000 by around £400 and will reduce the total tax rate on new cars (including Value Added Tax) to 22.4 per cent from 27.3 per cent.

Mr Geoffrey Pelling, general manager of the Society of Motor Manufacturers and Traders, said: "This is a very favourable Budget and we welcome the fact that the Chancellor has recognised the importance of the sector and the need to give it a positive boost.

"We believe this will lead to an extra 70,000 new cars being sold and we are also gratified that the chancellor has not increased company car taxes by more than inflation."

Separately last night Ford, the UK new car market leader, signalled the possible start of another car price war by announcing additional price cuts over and above those arising from the cut in special car tax.

Mr Ian McAllister, chairman of Ford of Britain, said that "radical action" on the part of manufacturers and dealers was needed to encourage consumer confidence.

"The measures which the Chancellor has proposed are welcome, but we decided that further action was needed by us to stimulate the new car market in Britain."

UK new car sales last month were 12 per cent lower than in the same month a year ago and have plunged by 42.4 per cent in the last three years.

Ford, which accumulated record losses last year and has suffered a steady erosion of its market share, said it was cutting the price of about 30 per cent of its range.

The list price of the Ford Fiesta base model will be cut by 10.5 per cent – the dealer margin is being cut from 15 to 10 per cent – while the price of several other Fiesta and Escort models will be cut by around 3.5 to 4.0 per cent.

The Fiesta 1.1, for example, will be reduced by £750 which, taking into account the Budget changes, would mean it would cost about £6,230 – £1,020 less than at present.

Mr William Ebbert, chairman of Vauxhall, the UK subsidiary of General Motors, said last night that the measures announced in the Budget could add 60,000 new car sales in the UK this year. The company said it had raised its forecast for UK new car sales this year to 1.73m from thepre-Budget level of 1.67m.

New car sales fell last year by 20.7 per cent to 1.59m from 2.01m in 1990 and a record 2.3m in 1989.

Last month new vehicle registrations fell to 16,307 from 17,214 in February 1991, according to figures released by the Society of Motor Manufacturers and Traders.

In addition to the halving of special car tax, which is effective from today, a series of other measures were warmly welcomed by car makers in the most positive Budget for the motor industry in years. These include:

● the raising of company car taxation scale charges only by the rate of inflation,

● the introduction of company car tax scales based on price rather than engine size "as soon as practicable". The Inland Revenue will publish a consultative document in the summer on the details and timing of the changes,

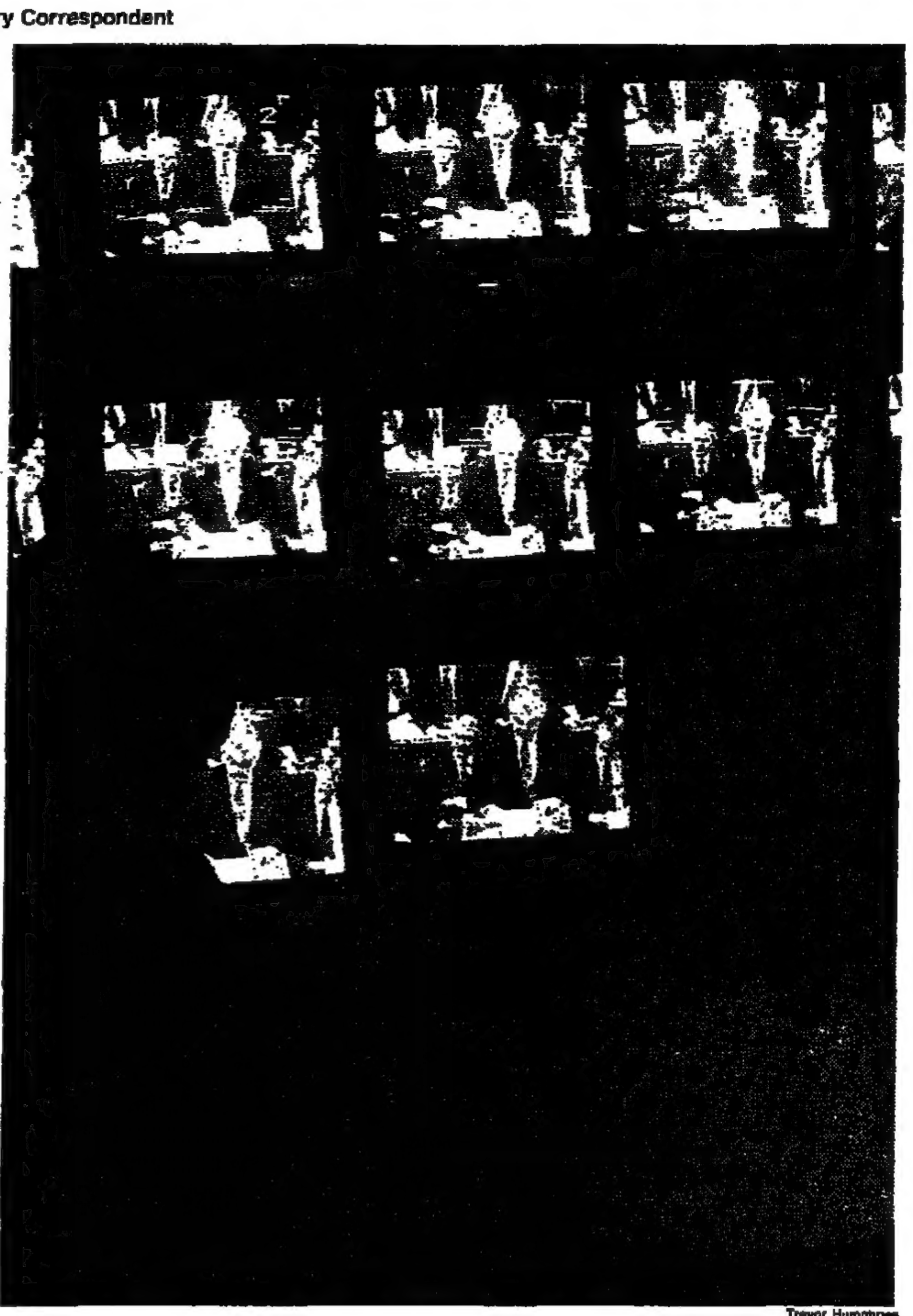
● the capital allowances available for business cars are to be raised from £8,000 to £12,000 enabling full capital allowances to be given on most business cars,

● taxi, car hire firms and driving schools will be able to recover the VAT they pay on their cars.

The environmental lobby and public transport groups, however, reacted with astonishment yesterday to some of the changes in motoring taxation, saying they seemed designed to encourage more use of the roads at the expense of public transport.

The main source of surprise was the government's decision to reverse its long-standing policy of shifting the tax burden from car ownership to use, in line with the "polluter pays" principle, by increasing to £110 vehicle excise duty - a tax on car ownership - which had been frozen at £100 since 1985.

● Britain's motoring organisations welcomed the Budget proposals.The Road Haulage Association said it was pleased there was no increase on vehicle excise duty for lorries. And Mr Simon Dyer, director general of the AA, said: "It was nice to see a bit of Norman's wisdom after last year's anti-motorist Budget."



Trevor Humphries

Multiple image: the chancellor gets prime time viewing across the UK with live coverage of the annual Budget statement from the chamber of the House of Commons

Doubts cast on interest rate cut as sterling loses value

By Terry Byland

THE LONDON financial markets accorded the Budget speech a somewhat cautious response which was reflected in a downturn in government bonds as early gains in sterling were trimmed sharply during the progress of Mr Lamont's speech in the House of Commons.

Sterling's reaction appeared to cast serious doubts over the prospects for the pre-election base rate cut on which the financial markets have been counting.

A government official said: "It would not be wise to hold out much hope of a cut in the next few days".

Several analysts pointed out that it could now prove very difficult to cut rates ahead of the announcement of the election date which is expected before the end of the week.

In addition, market strategists expressed doubts on the political impact of the budget which had been widely regarded as a curtain raiser to the Conservative government's campaign for re-election.

"This is not a budget for voters," commented Mr Ian Harnett at Strauss Turnbull.

The stock market held on to gains which had been largely achieved early in the session and the FT-SE Index closed 24.1 points up at 2,574.8. But traders sounded increasingly nervous after equity trading closed, and a fall in the March future contract on the FT-SE Index appeared to be signalling a weak opening today.

The currency markets were generally unimpressed by the Budget, and saw it doing little to strengthen sterling in the short term.

Sterling immediately fell around ½ pfennig to wipe out most of its earlier gains. Dealers said this was because of the lack of a firm commitment to move the currency into the narrow band of the ERM, and Mr Lamont's forecast of a £28bn PSBR – towards the upper end of expectations.

"The Budget was not a clear-cut vote winner and in the meantime it merely prolongs the uncertainty in the markets," said Mr Nick Parsons, treasury adviser at Canadian Imperial Bank of Commerce.

"The commitment to the narrow ERM band was vague, and the chancellor also seemed to be backtracking slightly on his commitment to a single European currency, and this was not welcomed by the market."

Mr Michael Feeny, senior dealer at Sumitomo Bank, said however that while the Budget was "not tremendously dramatic", it could add a few per cent to Conservative support in the opinion polls.

World Stock Markets
Back Page, Section II

Business gains from £1bn switch in funds

By Michael Cassell, Business Correspondent

A £1bn switch of resources over two-years to help ease the burden of the much-criticised uniform business rate (UBR) formed a central part of the chancellor's attempt to revive British business and rekindle political support among traditional sympathisers.

In what the Confederation of British Industry, the employers' organisation, described as a "prudent and positive" budget, Mr Lamont directed much of his help towards the small companies struggling for survival in the longest post-war recession.

Within the small business community, there was a welcome for changes to the UBR and for plans to take most family companies out of the reach of inheritance tax.

But companies which fail to pay debts on time in order to help their own cash flow, found themselves under attack.

Companies will be made to publish annually their record on prompt payments.

Industry welcomed the decision that no business properties will face an increase in the UBR, above the 4.1 per cent increase due next month, although there was disappointment that the Chancellor had rejected calls for a total freeze.

Under transitional arrangements intended to phase in big UBR increases for smaller businesses, bills could rise by up to 20 per cent annually above the rate of inflation. In 1992-3, the 500,000 business properties affected will face only the 4.1 per cent rise.

Kinnock attacks Tory inaction over recession

By Ivor Owen, Parliamentary Correspondent

MR NEIL KINNOCK, the leader of the opposition Labour Party, attacked Conservative financial spokesmen as "hollow men" who preferred a "bribery whimper" to a "recovery bang".

He called on the chancellor of the exchequer to explain why, if he believed that borrowing for tax cuts was an effective means of remedying the recession, he had not followed such a policy last year.

Mr Kinnock argued that similar action had not been taken when the recession was 9 months instead of 21 months old because an election had not been "just weeks away".

A year ago, he said, there would have been 50,000 more companies in the UK to benefit from the chancellor of the exchequer's proposals. 100,000 families would not have had their homes repossessed, and 800,000 people had not then lost their jobs.

Kinnock: on attack

But Mr Kinnock was jeered by Tory MPs when he would not say explicitly in his speech in reply to the Budget statement whether his party would oppose the introduction of a 20p rate of tax for the first £2,000 of taxable income. He said Labour would produce its alternative budget next week.

Amid cheers from his supporters, Mr Kinnock insisted that the country would see that Labour had a "much better offer". The great majority of the British people wanted jobs, decent public services, an improved health service, and "not the bribes the government is offering".

As Conservative MPs proclaimed that the new reduced rate band would prove to be a key element in an election winning budget, Mr David Mellor, chief secretary to the Treasury, challenged Mr Kinnock to make his stance clear.

Mr Kinnock urged him to await the publication of Labour's alternative proposals. When Conservatives continue to demand an answer, the Labour leader retorted that there had been "months of teases" about the chancellor's proposals and urged them to accept "in the name of reasonability" that Labour should have another six days to produce its alternative budget.

Angry Labour backbenchers attacked Mr Mellor's intervention as a departure from normal Budget day practice. Mr Kinnock emphasised that he had not been interrupted on any previous occasion when making the traditional response by the leader of the opposition to the chancellor's budget speech.

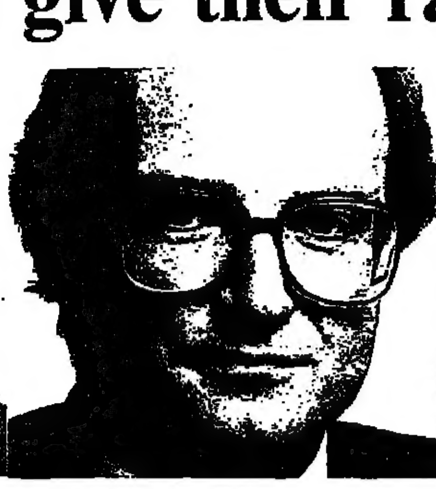
The Labour leader contrasted the government's reliance on a consumer-led recovery with his party's policies designed to promote an investment-led recovery. A Labour government would ensure that Britain had a well trained work force and a consistently successful economy.

Dr David Owen, the former centrist SDP (Social Democratic Party) leader, was upbeat about the Budget in his last speech to the Commons, but said much more relief would be provided by reducing interest rates.

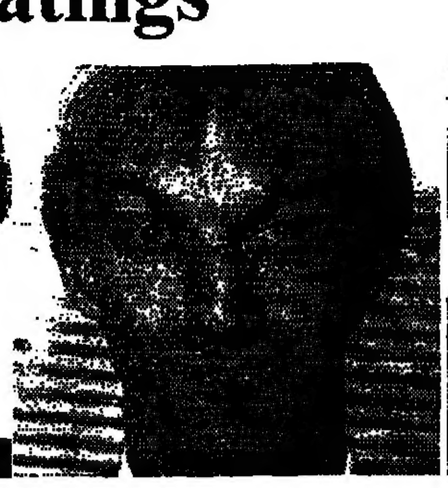
He said the introduction of a reduced income tax band as "an interesting way of trying to grapple with the problem of keeping down unit costs".

Economists give their ratings

DAVID KERN – NATWEST BANK
Score: 7 out of 10
MR Lamont scores a good mark because he met some important political and economic requirements.
His room for manoeuvre was much less than assumed because his tax receipts were much less because of the recession. He announced a very high PSBR in a manner which is prudent. He managed to administer stimulus to demand without unsettling the financial markets.Only mild criticism was that he *did'nt announce more* direct tax relief for the company sector.

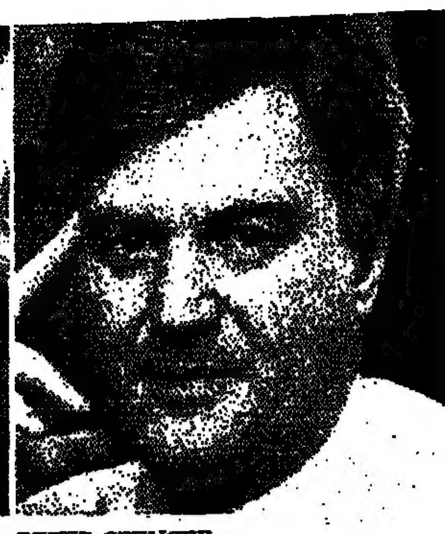


ROGER BOOTLE – MIDLAND MONTAGU
Score: 6 out of 10
THE overwhelming influence on the Budget was the sharp deterioration in public finances which itself was due primarily to the continued recession. Given that he has only been able to give a small net tax reduction of £1.5bn, the chancellor has used his money imaginatively. The Budget is well balanced with significant help for small businesses and a reduction in tax for individuals. The new 20p band is very well judged from a political viewpoint. It will be difficult for Labour to respond.



KEVIN GARDINER – S.G. WARBURG SECURITIES
Score: 4 out of 10
THE chancellor was neither bold nor coherent. It was rather a mishmash. The score was low because of the "poor" state of public-sector accounts. The *prospective borrowing situation is* significantly worse than expected, and there is a very large government deficit emerging with a tax package smaller than expected. Expectations for economic recovery have been halved in scale and effectively postponed by a year. He should have been more upbeat in commitment to the ERM.

BILL MARTIN – UBS PHILLIPS & DREW
Score: 1 out of 10
THE budget will not act as a significant stimulus to the economy.
The budget deficit is almost certainly out of control.
The tax cuts are rather parsimonious.
They were certainly less than the market had been expecting.
Most people would expect the tax cuts to be short-lived.
Mr Lamont would be lucky to see growth at half the rates he had forecast.
Prospects for inflation remain good, but prospects for activity remain grim.



PETER SPENCER – SHEARSON LEHMAN
Score: 7 out of 10
IT was disappointing. Mr Lamont showed some clever card play, but his hand was worse than had been thought, and he failed to produce the election-winning *trick everyone thought he had up his* sleeve. I am afraid the cupboard is simply bare, and Mr Lamont is in the unenviable position of being placed in the role of Old Mother Hubbard.
He had promised an economic recovery, 20 per cent tax rate, and entry into the narrow band of the ERM, but had done little towards fulfilling his promises.

GAVYN DAVIES – GOLDMAN SACHS
Score: 6 out of 10
IT falls between every conceivable stool. It does not put Labour on the spot and it does not transform the Conservatives' electoral position. It also does not seem likely *to bring interest rates* down, although the government could still be saved by Spain or Belgium cutting their rates in the next few days.
He made a *virtue of not kickstarting the* economy, but I think that is just what is needed. The Treasury clearly thinks the *recovery* is already under way, but that judgment is highly questionable.

● INDUSTRIAL REACTION

Construction sector's hopes dashed

By Our Industrial and Financial Staff

HARD-pressed manufacturing and construction companies yesterday expressed deep disappointment that there was no help for them, though the measures were welcomed by small businesses and car manufacturers.

Computer manufacturers and software suppliers complained that the Budget had done nothing to unlock capital spending by industry and commerce. Retailers, however, were pleased by moves to ease the burden of the uniform business rate.

Mr Joe Dwyer, chief executive of Wimpey, a large contractor and Britain's second largest housebuilder, said: "The chancellor appears to have a higher regard for car dealers, bookmakers and film producers than he does for a construction industry suffering from the worst recession for half a century."

Mr John Gardner, managing director of ICL (UK), the UK-based computer manufacturer 80 per cent owned by Fujitsu, said: "As the managing director of a large company it did little for me. There were no real measures to help break the capital expenditure block; nothing to encourage large companies to spend more money."

Glaxo, the UK's largest company by market capitalisation, said it would be hardly affected by the budget. Most of the company's sales were outside the UK; it therefore welcomed the prospect of changes to advance corporation tax for big overseas earners. Sir David Lees, chairman of GKN and the CBI's economic and financial policy group, described the budget as "prudent".

He said the main reforms, the tax cut, changes to the uniform rate and the halving of the tax on cars to 5 per cent, would only cost an estimated £1.5bn compared with the CBI's call for £1.7bn of spending. "It was a remarkably smart budget; the tax cuts were progressive rather than regressive."

Many engineering and manufacturing companies were bitter that there were no measures to stimulate investment. Industry leaders in particular were upset at Mr Lamont's failure to increase capital allowances, though there was some praise for the reduction in special car tax. Mr Mike Bright, chairman of FMT Holdings, the Brighton-based machine toolmaker, queried the rationale for write-offs of film costs over three years on a straight line basis without considering similar concessions on special projects for manufacturing industry.

Sir Allen Shepherd, chairman of Grand Metropolitan, said the chancellor got the Budget "about right both politically and economically". He described the 5p reduction in income tax to 20p for the first £2,000 of taxable income as "politically clever".

Sir Denys Henderson, chairman of ICI, said the halving of car tax was helpful – the motor industry provides up to 7 per cent of chemical industry sales. Small businesses welcomed moves to prevent large customers delaying payments to their smaller suppliers and contractors, and the decision to remove most family-owned businesses from the inheritance tax net.

Mr Barry Baldwin, economic adviser to the Union of Independent Companies, said: "The greatest thing in this Budget is the encouragement to the owners of independent businesses that they can keep their companies intact."

Mr Neil Arnold, regional chief of the North Eastern Co-operative Society, said moves to restrain the impact of the uniform business rate would encourage further retail developments.

● NORTHERN RESPONSE

CBI man denounces 'bad economic judgment'

By Ian Hamilton Fazey and Chris Tighe

NORTHERN business leaders last night forecast substantial reductions in costs, better cashflow and an easing of administrative burdens in the wake of the Budget.

But 200 industrialists and finance specialists who listened to the Budget speech at Wynyard Hall near Middlesbrough looked dazed as Mr Lamont announced the rise in public sector borrowing requirement to £28bn. "This is called going for broke," whispered Sir Ian Wrigglesworth, northern region CBI vice-chairman. "It's bad political and bad economic judgment."

There was a wide welcome for the speeding of the transitional arrangements for the uniform business rate (UBR) in the north and Midlands. Sir Ian said news that the deferred reliefs are now to be activated would be welcomed by many northern companies.

North-west business expects the overall gain from UBR changes eventually to be worth £310m over the 1990-94 period. Sheffield manufacturers expect a 40 per cent fall in business rates over the next two years.

Mr John Hambidge, director of Sheffield Chamber of Commerce and Industry said: "There appears to be a much greater incentive and ability to both listen and hear in an election year."

At Wynyard Hall, the chancellor's strictures on late payment of bills by big business produced nods of agreement from the audience.

But Mr Karl Watkin, chairman and managing director of Crabtree, a printing equipment manufacturer based in Gateshead, said: "There isn't anything in there for business." He added: "I would have preferred them to give a commitment to the future of manufacturing in the UK. I don't think the government is in the real world."

Mr Michael Grey, finance director of Hugh Mackay, the Durham-based carpetmaker, deplored the Budget's lack of encouragement for capital expenditure by industry.

Any money in people's pockets would help boost demand, but he detected a lack of substance in the budget. "It was a lot of playing around, but it was very professionally put over," he commented.

Mr Keith Robinson, director of Liverpool Chamber of Commerce, particularly welcomed help for the car industry. Like Mr Hambidge, he wanted car tax abolished: "But half a loaf is better than none at all, and we'll settle for 5 per cent for now," he added.

In Leeds, Mr Peter Coles-Johnson, an economist who is secretary of the combined Yorkshire and Humberside chambers, said there would be widespread relief that Mr Lamont had not gone for "a fiscal binge." But he warned that ending the recession quickly depended on interest rate cuts.

All the organisations said the introduction of one Budget statement on tax and spending a year would ease uncertainty in business planning.

● INLAND REVENUE

Loophole on rents to be closed

By Andrew Jack

THE Inland Revenue will gain an additional £230m in the 1992-94 tax years by closing a loophole which allows companies to defer tax payments on rents.

There was speculation in the City that large companies including Hanson, British Aerospace and Burton would incur substantial additional tax charges in the next two financial years as a result of the change.

The budget proposal would prevent the practice from today of permitting one company to claim tax relief on rent paid in arrears, while a connected company receiving this rental income pays tax on it in the year it is received.

Since the late 1970s it has become common for a company to transfer all the properties from its trading businesses into the control of a specially-created property investment company, according to Mr Derek Jenkins, a partner with Coopers & Lybrand Deloitte.

It then grants each trading company leases on their properties, with rents payable at the start of the new tax year. Until now the trading companies have been able to claim tax relief on the rents in one year, and pay corporation tax against the rental income the following year.

Most of the gains come in the first year of the creation of the property company.

● STATEMENTS CHANGE

Chancellor signals start of unified bulletin

By David Marsh

MR Norman *Lamont* yesterday rose uniquely to the occasion of the Budget ceremony by announcing that, after next year, the ceremony will cease to exist.

The chancellor said that the time-honoured exercise of dealing with taxation and spending in two separate government statements will be replaced by a unified annual budget.

Sounding the death knell for well over a century of British economic tradition, Mr Lamont said the first overall fiscal statement combining tax and spending would come in December 1993. This would bring together in a single form the decisions at present dealt with separately in the March Budget and a November Autumn Statement.

Rather like the switch to decimal coinage in 1971, the move ends an endearingly arcane British custom and brings the UK into line with most industrialised and developing countries. Since Mr John Smith, the shadow chancellor, has also promised to end the separation of tax and expenditure decisions, yesterday's announcement appears final.

Although, after 1993, Budget Day may never be the same, the Treasury yesterday brushed aside any idea that the whole procedure would be scrapped. The wooden Budget box *bearing Queen Victoria's* monogram in gold letters - which dates from Gladstone's day – looks likely to remain an essential accompaniment. "A lot of the trappings will be the same. Whoever he is, the chancellor will want to have his big day," the Treasury said.

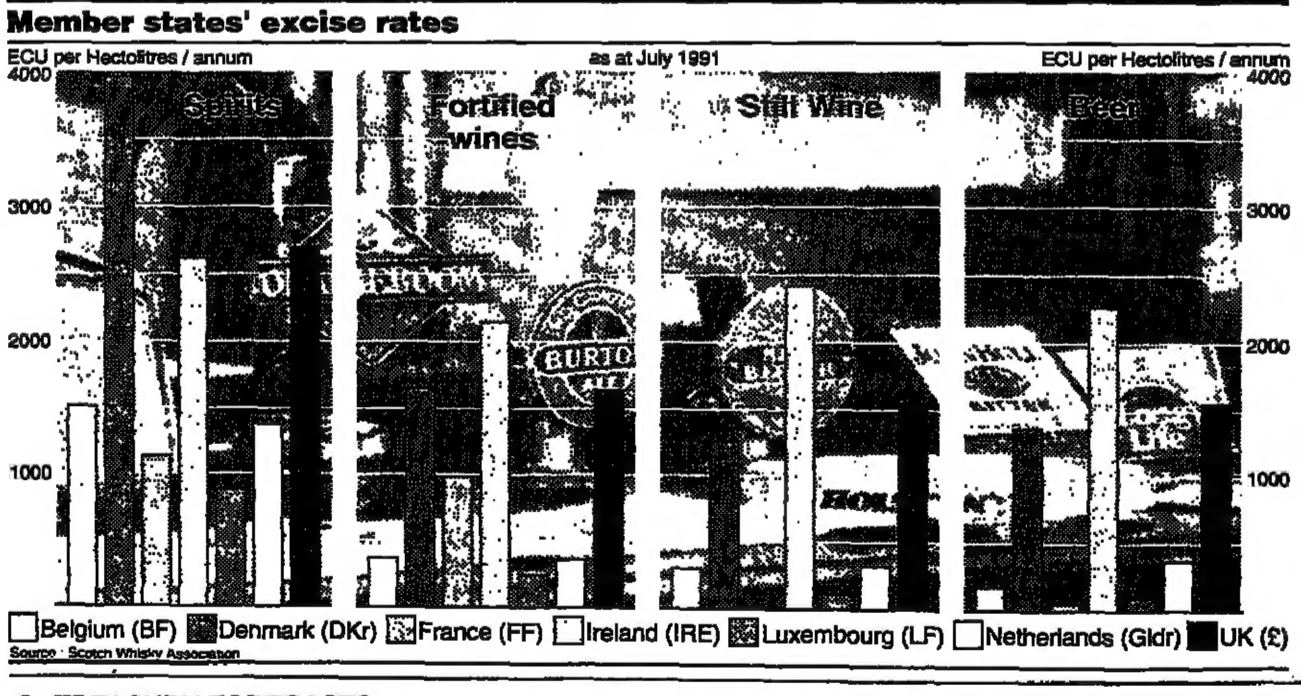
The decision, which has been under active discussion within the Treasury for more than a year, is intended to improve policy presentation and improve decision-making.

The present system was first set down by Sir Robert Walpole in the 18th century, and refined by William Gladstone in 1860. Mr Lamont said it was not only "illogical" but also had "undesirable consequences": Separation of tax proposals from expenditure had contributed to Britain's "excessively complex tax system."

Momentum towards ending the practice has been building up since it was criticised in the early 1980s by the Armstrong committee on budgetary reform and by the Treasury and the Civil Service Committee.

The move was given a warm welcome yesterday in the City. Bringing together the two halves of fiscal policy was termed "eminently sensible" by Mr Nigel Richardson, an economist at merchant bankers S.G. Warburg.

Member states' excise rates



Source: Scotch Whisky Association

● ALCOHOL

Duty increases provoke anger

By Philip Rawstorne

INCREASES in duty on spirits, wine and beer provoked disappointment and anger in the drinks industry.

The increases – adding 28p to the retail price of a bottle of spirits, 5p to a bottle of wine and more than 1p to a pint of beer – would do nothing to reverse declining sales at home, said industry leaders.

The chancellor's move also widened the tax gap between the UK and other EC member states instead of moving *towards a harmonisation of* rates in preparation for the advent of the single market next year.

Mr David Jenkins, chairman of the Wines and Spirits Association, said, "There is not even a gesture towards harmonisation. The much lower taxes on spirits and wine in France will encourage more people to hop on a ferry to buy *their drinks across the Channel.*

"From January next year they will be allowed to bring *back nine cases of wine and a* case of spirits. Even if the customs manage to prevent bootlegging, it is going to have a *damaging effect on the trade in* the UK."

One driver could bring back a year's average supply of wine *and spirits for four people,* he estimated.

UK excise on spirits was nearly five times that in Spain and Portugal, two and half times that in France and more than double that in Germany and the Netherlands.

Denmark, in contrast to the UK, had started to reduce its tax rates to bring them closer to the level of most other EC *countries.*

Mr Anthony Tennant, chairman of Guinness, said he was "shocked" by the budget *increases on spirits duty.* "It was very curious of the chancellor to say that he sought to end distortions in the tax sys*tem and then add one more* by hitting spirits. This will send all the wrong signals to Europe by risking a discriminatory tax on *spirits.*"

Mr Lamont told the Commons that he would not accept any EC proposals for tax harmonisation that allowed some states to levy no duty on wine but high duties on spirits.

● BES

Ending of scheme may axe funds

By John Authers

FINANCIERS involved in the Business Expansion Scheme believe its abolition of the scheme at the end of 1993 will lead to a big upsurge in demand in the meantime.

Many leading figures in the *industry* were delighted that the scheme had been extended for two more tax years, but some said its abolition would cut off a source of funds for small companies.

Mr Tim Villiers, chief executive of the BES Association, *condemned* the move as "throwing out the baby with the bathwater".

He added: "I think it's aston*ishing* to cut out private investors completely in an area where corporate investors have been so reluctant to come for*ward.* The venture capital industry does not meet the needs of the companies the BES has catered for."

But Mr Charles Fry, chairman of Johnson Fry, which leads the market in raising BES funds, was delighted by the news, which he said made the position clear for all parties. "I welcome what the Chancellor's done, it makes a lot of sense, and we look forward to the next 18 months and raising a lot more money."

He predicted a "double whammy" sales "bonanza" for next year, caused by a rush to take advantage of tax incentives both at the end of the 1992-93 tax year, and at the end of December 1993.

The BES gives tax relief on *investments* of up to £40,000 per year, at the top marginal rate of tax, provided they are held for five years.

Labour's plans for a regional "growing business scheme" however, could still offer the BES industry a lifeline.

● TREASURY FORECASTS

Big boost in government investment will help hesitant upturn

By Peter Marsh, Economics Staff

A HESITANT economic upturn in the final half of this year, helped by a large boost in government investment, was predicted by the Treasury in forecasts released with the Budget.

The predictions indicate much higher than expected government borrowing over the next two years, partly resulting from limited growth in tax income caused by the recession and higher state spending in such areas as social security benefits.

One factor behind the forecasts is a sharply more pessimistic outlook for the world *economy than that contained* in the Treasury's predictions in November's Autumn Statement.

Nonetheless, the *Treasury* insisted that the main ingredients for recovery from the 18-month recession were in place. These are "lower interest rates, falling inflation and the fiscal stabilisers [the effects of increased government spending boosting the economy]".

According to Mr Norman Lamont UK gross domestic product will increase by 1 per cent this year, a figure at the low end of predictions by private-sector economists. It contrasts with the Treasury's more bullish projection for next year of 2.25 per cent, made in November.

Consumer spending, which accounts for about two thirds of GDP, is expected to rise by a weak 1 per cent, while growth in manufacturing will be just 0.5 per cent, after a drop of more than 5 per cent in 1991.

The economy is expected to benefit from a sharp rise in government investment, likely to increase by 10.75 per cent next year, after a 9.25 per cent fall last year.

According to the Treasury, government investment this year is likely to be 24 per cent higher than in 1988 and 50 per cent up on 1979. But business investment is predicted to fall by 2.75 per cent this year, after a 11.75 per cent drop on last year.

The Treasury said the public sector borrowing requirement (PSBR) would be £28bn in the fiscal year beginning on April 1, after £13.75bn in 1991-92. In 1993-94, it is likely to rise still more to £32bn, or 4.75 per cent *of gross domestic product and* to fall to £25bn in 1994-95.

Between 1991-92 and 1992-93, general government income *including income tax* and corporation tax is predicted to rise by just £8bn, from £222bn to £230bn. Over the same period government spending is likely to climb £23bn from £236bn to £258bn.

The Treasury said that growth in the seven biggest industrialised economies – the US, Japan, Germany, France, Britain, Italy and Canada – would be just 1.5 per cent this year, with *world trade rising* by 3.75 per cent. The Autumn Statement put these figures at 2.5 per cent and 6 per cent respectively.

On the expected recovery in the UK, *the Treasury said* this will be held back by a weak housing market, high levels of consumer debt, and only a slight reduction in savings as a percentage of disposable *income. This expected to fall* by just 0.5 of a percentage point over the next 12 months, from 10 per cent to 9.5 per cent.

The Treasury says GDP in the first half of this year will show virtually no increase on the same period last year, but in the second half the economy will have expanded by 2 per cent compared with last time. It foresees 3 per cent growth between the first halves of this year and next.

Many economists will take the projections with a pinch of salt. The message that the recovery is coming, but has been delayed, is very similar to the tone of the Treasury's Autumn Statement and Budget 1991 forecasts, both of which turned out to be inaccurate.

THE UK ECONOMY: HOW THE FORECASTS COMPARE

	1991	1992			1993	
	1992 Budget	1991 Autumn Statement	Priv.sector consensus	1992 Budget	1992 Budget‡	Priv.sector consensus
Gross domestic product	-2.5	2.25	1.1	1	3	2.4
Consumer spending	-1.75	2.5	1	1	3	2.4
Government consumption	2.25	1.75	*2.1	1	1.25	#1.7
Fixed investment	-10.25	1.25	-1.4	-0.5	3.5	4.6
Exports (goods & services)	0.75	6	*3.4	3.5	6.5	#5.2
Imports (goods & services)	-3	7.5	*4	4	8.25	#6.6
Manufacturing output	-5.25	3.25	1.1	0.5	3.75	3.0
Current account deficit(£bn)	4.5	9.5	*8.1	6.5	†9	#11.9
Inflation (RPI,4th quarter)	4.25	4	4	3.75	3.25	3.8
Public sector borrowing requirement(£bn, fiscal year)	13.75	c.19	25	28	32	24.6

*Notes: all figures are percentage changes on previous year, unless otherwise stated. Figures for private-sector consensus (unless marked with * or #) relate to mean of non-government economists' forecasts, compiled by Consensus Forecasts, March 1992. * indicates figures taken from Treasury compilation, February 1992; # forecast by Ernst & Young Item Club. † at an annual rate‡ for 1st half*

Tea but little sympathy for Lamont

Paul Cheeseright hears the views of a group of professional women

THE first titter came even before the tea was poured. The chancellor's promise of "a Budget for recovery" set it off. The first laugh came when he laid the ground for raising the government's borrowing.

Incredulity came with the second cup. That was when Mr Lamont began to talk of investment in infrastructure. But the only surprise was his method of providing an income tax break.

Seven professional women met in Birmingham to listen to the chancellor. Seven professional women left for home distinctly unimpressed. The cake from the baker tasted better than the offering from London.

They felt there was little to enhance the immediate possibility of economic recovery. They were more ambivalent about whether Mr Lamont had produced a vote winner, although they could see him casting seed on the electoral waters.

"It'll be attractive to the marginal voters, it will win them the election," stated Jo James, consultant anaesthetist at East Birmingham Hospital. Linda Comfort, director of Allied Provincial Securities, asserted the opposite.

Madeleine Simms, who runs her own urban regeneration consultancy, said: "I'm not certain people will be voting with their pockets. They're thinking wider."

"It's not pushed the Conservatives one way or the other," said Sandra Nutley, lecturer in public sector management at Aston Business School. Catriona McFadden, public relations manager at Birmingham's Hyatt Regency hotel concluded that people would "just say 'well, eh?'".

"It will be an easily attackable Budget," predicted Jane Skinner, chief executive of Birmingham Settlement, a long-established city charity.

If Norman Lamont is to be on the end of an offensive from Labour and the Liberal Democrats, suggested Anne Avian, manager of the Sandwell Chamber of Commerce, it will be because "it's terribly depressing."

None of the women disagreed because, in the West Midlands, the crucially dependent motor industry is suffering, there are few signs of any end to urban poverty and because, in Birmingham and the Black Country, nearly half those in work are on wages designated as low pay by the Low Pay Unit.

Ms Skinner noted that the income tax relief "would be noticeable in a small pay packet", but Ms Simms believed "it's daft to give it to everybody – we (that is the relatively well-paid) wouldn't notice".

The fact that there was nothing in the Budget to assist with child care or help those caring for the elderly was worrying – as was the absence of measures to encourage training.

"It's a traditional Budget. If you're earning well, there's something in it for you," said Ms Skinner. Ms Simms added: "But there's no help to women coming back into the labour force," while Ms Comfort observed: "A lot of women will be put off having children this year."

"I personally didn't want to be made any better off," said Ms Nutley, expressing what was a general lack of interest in the moves about inheritance tax. Rather the women would have preferred the chancellor to have spent his ingenuity on looking at help for industry and urban social and economic problems.

Certainly, said Ms Avian, he had not gone far enough in reducing car tax to 5 per cent. "It is hardly here or there. The West Midlands car industry will lose 40,000 people this year." Nor, she added were there any incentives for start-up businesses.

Capital raising for small business worried Ms Comfort. "The venture capital industry will not be prepared to fill the gap left by [the abolition of] the Business Expansion Scheme. It's not interested in the small business end."

"If you consider the withdrawal of the banks from the inner cities, this means there is an inner city (financing) gap of growing proportions," chimed in Ms Skinner.

Local authorities, of course, have been wrestling with the problems of unpaid poll tax from the inner city areas. Now, with the changes in the uniform business rate Ms Nutley predicted they will have further cashflow headaches. "Mr Lamont said he would top up the business rate pool, but I'm suspicious – what are the implications for the long term?" she asked, hinting at a further erosion of local authority powers.

Against the background of rising unemployment and homelessness, the women felt the chancellor should have done more to stem the tide of repossessions. And he should have allowed local authorities greater freedom to use their capital receipts from council house sales. And they wondered about the sharp rise in the public sector borrowing requirement. Where was it going, they asked, and responded with their own answer – to fund a higher level of unemployment.

They could find some good in the smaller elements of the Budget – the administrative changes on VAT, for example. But the only thing they really agreed on was that it made sense to bring the government's spending and income statements together in December 1993. It was scant praise for a putative election-winning Budget.

Ashley Ashwood

Women's views: (from left) Anne Avian, Linda Comfort, Madeleine Simms, Jo James, Catriona McFadden and Sandra Nutley in Birmingham yesterday

● PRIVATISATIONS

Number of share owners falls 1.2m

By Richard Waters

THE NUMBER of personal shareholders in the UK has fallen by 1.2m in the past year, the first decline since the boom in share ownership created by the privatisations of the 1980s.

Around 9.8m people currently own shares, down from 11m this time last year, according to the Treasury's annual survey of share ownership, conducted with ProShare, the wider share ownership group.

The decline has come about in spite of the privatisations in the last 12 months of the electricity generating companies and Scottish electricity companies, and the sale of a substantial stake in BT. It means the proportion of adults in the UK owning shares has fallen from 25 per cent last year to 22 per cent this year.

The fall-off in share ownership has not been caused by a decline in privatisation holdings. According to the survey, conducted by NOP, 14 per cent of adults in Britain own privatisation shares, the same proportion as last year. Similarly, the proportion of adults owning shares in the companies where they work has also remained stable, at 4 per cent.

At the same time, there is little evidence in the survey that shareholders are broadening their investment portfolios. The proportion of investors owning shares in only one company has fallen by just one percentage point to 53 per cent, while those with two shareholdings has also fallen by one point, to 19 per cent.

On the other hand, those with four shareholdings or more has risen slightly.

● LABOUR

Smith sees his wardrobe stolen

By Ivo Dawnay, Political Correspondent

FOR MORE than a few moments there was a distinct impression of dither from the Labour Party. It had always expected the Budget to be a clothes' stealing exercise, but few calculated that Mr Norman Lamont had his eye on most of the wardrobe.

What is more, Mr Neil Kinnock's response to the speech appeared to be the script prepared for the widely-expected 1p cut in the 25p basic income tax rate.

His repeated attacks on "borrowing for tax cuts" appeared to pre-empt any inclination Mr John Smith, his shadow chancellor may have had to swallow hard and accept the proposed new 20p tax band.

Some suspected that Mr Smith's furrowed brow suggested he would have preferred a little more time to consider. Yet within the hour it was clear Labour would reject the reduced rate tax band.

Once the "line" was established, it was distributed freely and vigorously around the lobbies and corridors. "It is an incredibly defensive budget – designed to stuff Labour and not to sell themselves to the electorate. A big error," was one party official's verdict.

Another underlined that the Tories had priced votes at "a miserable £2 a week."

Yet privately some Labour MPs conceded that the package had "muddied the waters." One frontbencher described it as "an incompetent bribe." But it was a bribe nonetheless.

From his very first sentences, Mr Lamont made clear that he would be borrowing liberally from Labour's programme. The merger of the annual autumn statement on public expenditure with the Budget was just the beginning.

The concept of the "budget for recovery", the increases on pensions (though only for those on income support) and the scrapping of the Business Expansion Scheme had distinct echoes of Mr Smith's carefully worded pre-budget utterances.

As Labour's economic backroom boys work over the figures for their alternative budget – due next Tuesday – the short-term task was to expose the Tory "bribe", disparage it and prepare a glittering shop window of public spending pledges in a package wrapped in the language of prudence.

In headline terms, however, the options are limited. Labour's figures say its revenue raising measures – higher top tax rates and an end to the ceiling on National Insurance contributions – will bring it £3.85bn.

These broadly cover its plans to raise Child Benefit and lift pensions by £5 for a single person and £8 for a couple and to fund the bulk of a £1.1bn recovery programme including measures for training, employment creation and tax breaks for industrial investment.

But some optimistic hopes of a very large windfall for public expenditure have had to be tempered. The new tax band is costed at £1.8bn in the 1992-3 tax year. Labour must now maximise the use of that limited money to better its electoral hopes by carefully targetted new spending.

Mr Smith's team have always been careful not to rule out the possibility that some of this sum may be needed to adjust its tax raising plans. As the midnight oil burns in the shadow chancellor's office, his team will not forget the opinion poll conundrum that shows voters' opting for public spending above tax cuts – but then adding that, on reflection, they would rather like the money.

● LIB DEMS

Tax move seen as 'gimmick'

By Ralph Atkins

THE Liberal Democrats last night dismissed the new 20p income tax rate as a "gimmick". But early indications were that its MPs would not oppose many of the Budget proposals – increasing the likelihood of their implementation if the general election leads to a hung parliament.

Mr Alan Beith, the party's Treasury spokesman, said the 20p tax rate was a "cheap electoral trick" which could have been better targetted. Rather than voting against the proposal, the party may enter the election pledged to raise the 25p basic rate to 26p to fund the extra £2bn of education spending it committed to.

On other measures, the Liberal Democrats have proposed a freeze in the Uniform Business Rate – although they would cut the level in real terms, instead of limiting rises to the rate of inflation as announced yesterday.

The party has also campaigned for extra help for small businesses seeking to recover debts from large companies. It backs reforming the Budget process.

If Liberal Democrats held the balance of power after the election, an independent central bank and a move to the narrow bands of the Exchange Rate Mechanism would be set as priorities for an anti-inflation strategy. Privately some Liberal Democrats believe the Conservatives would be receptive to such moves.

Labour, though, would agree more with the large-scale investment package the Liberal Democrats propose. However, the extra £6bn to the Public Sector Borrowing Requirement suggested by Mr Beith last week may be revised downwards because of the larger than expected government PSBR forecast yesterday.

● GILTS

PSBR depresses market

By Sara Webb

"THE GILT market got the worst of both worlds from the Budget – a higher public sector borrowing requirement which it did not want, without the necessary tax cuts to win the general election," said Mr Chris Dillow, economist at Nomura International.

The UK gilt-edged securities market plummeted yesterday afternoon as it digested news of the government's heavy borrowing requirement. Mr Norman Lamont, the chancellor, forecast a public sector borrowing requirement of £28bn for 1992-93, whereas most City economists have been predicting a PSBR of between £22bn to £25bn.

Mr John Kendall, economist at Baring Sterling Bonds, said: "You are talking about gross gilt issuance of about £33bn in the next year once gilt redemptions are taken into consideration." This means that the Bank of England will have to sell an average of nearly £3bn of gilts a month, compared with an average of £1.3bn a month over the past year.

Mr Kendall believes that the market should have no problem digesting gilt issues of about £3bn a month once the current political uncertainty is over. He added that the inflation forecasts – of below 4 per cent by the end of 1992 for the RPI and of 3.5 per cent by the middle of next year – are positive for the UK government bond market.

The Bank announced yesterday that it would continue to use its entire range of issuing techniques in order to sell gilts. It has raised the size of its gilts auctions to between £2bn-£3bn (from £1bn-£2bn) and said it may hold even bigger auctions "if market conditions warrant" to sell government bonds. The Bank said that the auction programme is likely to account for "rather more than half of the total gilt funding requirement".

Economists and traders said the gilt market's reaction to the PSBR forecasts probably would not have been so negative if the chancellor had announced more attractive tax cuts to boost the government's chances of winning the election.

Mr John Shepperd, director of sterling bond research at S.G. Warburg Securities, said: "The gilt market got the costs without the benefit of any political kickbacks."

FINANCIAL TIMES

Limits of the new consensus

Mr Lamont has presented a Budget that reflects the new policy consensus, but possesses a number of clever touches. He has, in the end, bribed the electorate much less than some hoped and others feared. But the main reason for his frugality, *the UK's rapidly deteriorating fiscal position*, should give all observers pause.

The chancellor has played the ERM game by the book, the result being a deeper recession than foreseen and a worse fiscal position than the pessimists feared. All now depends on the reward for this disinflationary virtue. Without the recovery now forecast by the Treasury, the *UK is heading for a serious fiscal crisis*. But, alas for Mr Lamont, even if that recovery arrives, its benefits may accrue to the opposition.

As recently as November's Autumn Statement, the Treasury forecast growth of non-oil gross domestic product at minus 2¼ per cent in 1991, followed by plus 2¼ per cent in 1992. These figures have now been reduced to minus 2½ per cent and plus ¾ per cent, respectively. Thereafter, things are supposed to get better, with growth at 3 per cent in the year to the first half of 1993 and 3½ per cent thereafter. *But this is* not the first time the Treasury has claimed that things would soon improve.

The recession has had one great benefit. *Inflation* has fallen sharply and will continue to do so. By the end of this year retail price inflation is expected to be down to 3¾ per cent. By 1996-97, the Treasury foresees the broadest measure of inflation running at Germanic levels of 2 per cent a year. Along with real gdp growth of 3½ per cent per annum, this would seem to be the British equivalent of economic nirvana.

Unfortunately, old British problems are likely to experience several reincarnations before then. With the public sector borrowing requirement expected to be £13.8bn this year (up from the £10½bn forecast in November), the fiscal position is sliding alarmingly.

Next year's PSBR of £28.1bn – after the proposed net tax reductions of only £1.49bn – is worse than the city consensus. With privatisation receipts put to one side, the PSBR is *forecast to be just under 6 per cent of GDP in 1992-93*. In 1993-94 it will be just as bad, with the improvements now forecast for subsequent years depending on a sustained period of above trend economic growth. Even so, the Treasury is no longer forecasting a return to a zero PSBR within the forecasting horizon.

Should growth prove to be as constrained by *ERM membership as some fear, tax increases are* inevitable. That possibility depends on the British consumer, on the one hand, and the German wage bargainer, on the other. The chancellor insisted that recovery is dependent on the behaviour of the private sector. He is right. But the most important private sector is the German and the institution that will channel its response is the Bundesbank.

Given the fiscal picture, Mr Lamont could do little but be cautious. Even so, he may not be *able to get the interest rate cut he would like*. But he has at least devised changes in the fiscal structure that the Labour party cannot attack with ease.

Car tax is an anomaly. The chancellor was right to halve it, though still greater increases in excise duty on petrol would have been an appropriately green offset. The chancellor's determina*tion to raise excise duties* by at least the rate of inflation – and more for leaded petrol and tobacco – is also commendable. The Business Expansion Scheme was little more than a subsidised property play. Its day was past. And the decision to remove the bias in favour of direct share ownership in PEPs was overdue.

Business hoped for help, which the chancellor decided to give in the form of further transitional relief on the Uniform Business Rate. Meanwhile, Advance Corporation Tax remains *unmodified, its payers unmollified. But Mr Lamont* was right to eliminate the male chauvinism of the married couple's *allowance and wise* to avoid the politically correct error of introducing a generalised relief for child care.

The centre piece of the Budget, however, is the cunning partial stealing of Labour's political clothes. The new *20p lower* rate of income tax is what the Labour party has said it wants, even though it is far from the best way to help the poor. Should the Labour party remain *committed* to reversing the reduction, it will be damag*ing many* of its own supporters. Mr Lamont presents the new lower rate as an earnest of his intention to move to a new basic rate of 20p, a point on which Labour will *disagree*. It is here, over the choice between the chancellor's carefully targeted tax cut and the Labour party's proposed expenditure and tax increases, that the electoral battle will focus.

This is the Budget of a chancellor constrained by the disinflationary consensus. Mr Lamont has given the opposition few clear points of attack and on the economy *the Labour party offers* essentially the same policy. But if the budget reflects the new consensus, its economic fruit looks likely to remain untasty for some time, whoever may be in power. This Budget does *nothing to change* that dismal fact.

Samuel Brittan

Modestly in the wrong direction

When I hear Norman Lamont's very close supporters streaming out of the galleries, saying what a politically clever Budget it was, my natural suspicions are *aroused*. *When I hear a more* Thatcherite ex-minister saying it was not too big a give-away, I flee to have another look at the arithmetic. And when I hear a former director of the Institute for Fiscal Studies, now the chancellor's personal adviser, admit that the new £2,000 20 per cent band of income tax is just the proposal that the IFS had always denounced when it came *from the Labour Party as an ineffec*tive way of helping the poor, compared with increasing the thresholds, I suspect it is not my sort of Budget.

One of Sir Geoffrey Howe's early acts as chancellor was to get rid of Labour's lower rate band.

"Only *modestly in the wrong direction*" is the norm for democratic politicians and is likely to be *the shape of policy in the 1990s* in most countries.

The political cleverness presumably lies in the challenge to Labour to repeal a measure very much in its own image. Promising to enact the whole Labour manifesto would have been cleverer still.

The Budget is much more likely to be remembered by the undertaking to replace the whole strange British Budget ritual by a proper Budget in December, announcing public expenditure and tax decisions together. The reform programme previously on the table – that of the Armstrong Committee which reported in 1980 – had in mind a Green Budget in the autumn *followed by the normal* Budget in March. The danger was that the period in between would be open season for every pressure group to push for more spending or special interest tax concessions. That may have been eliminated by retaining a single Budget day. The main draw*back is* that the chancellor would have to finalise his tax decisions more than three months before the beginning of the financial year. Finance ministers in other countries survive with a greater gap than that.

Now for the Budget numbers. The biggest *shock horror figure is not* the chancellor's reliefs which amount to "only" £2.6bn in a full year, less than *half* a per cent of GDP. What is that between friends? It is rather the total public sector borrowing requirement. Here again the figure to look at is not the headline £28bn for the coming financial year, but the £32bn (4¾ per cent of GDP) projected for 1993-94, when – *if the Budget Red Book is to be* believed – the economy will be two years into recovery.

The accompanying chart shows that the envisaged deficits are higher, even as a percentage of GDP, than they were in the Thatcher recession, even though *the Budget Red Book chart expects* the present recession to be shallower and shorter.

As far as it has gone, the deterioration in the public finances has not been disastrous. The Red Book shows the public sector debt ratio levelling off in the mid-1990s at just under 35 per cent, which would be well *short of a debt trap* in which the government had to borrow more and more simply to pay the interest on past deficits. But the reassurance does depend on public spending moving back to a *modest* path and real GDP going back to the trend of the 1980s.

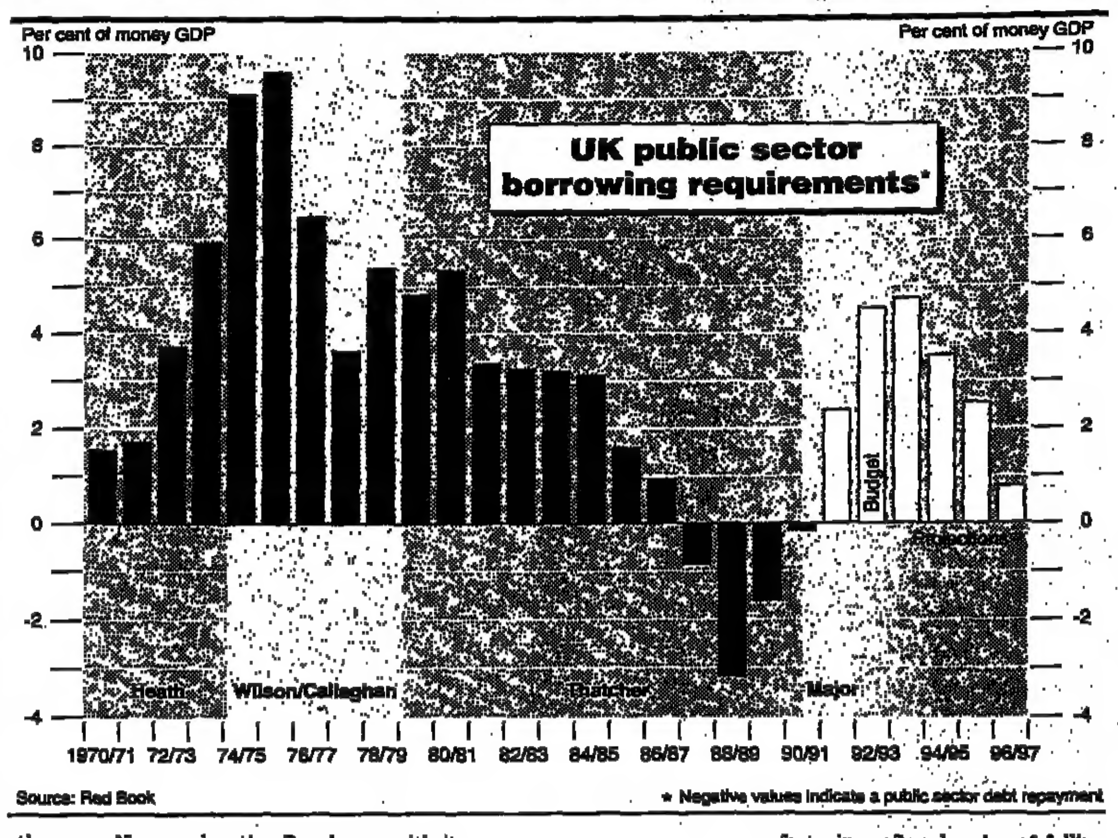
> **Promising to enact the whole Labour manifesto would have been a cleverer move still**

The trouble is that the route to an Italian-type fiscal problem is not through one large doctrinal misjudgment, but through a series of modest lapses, guided by wishful thinking. What can happen is illustrated in a very honest table (2B.2) in the Red Book, which shows a deterioration of £25bn in the *PSBR* for both 1993-94 and 1994-95, compared with the projections made as recently as one year ago. As more than half the deterioration is on the expenditure side, it is difficult to attribute it all to recession.

The Budget speech seemed to *contain vestigial remnants of two* alternative treatments which had been rejected. One was a throw-away reference to public sector investment of £30bn, the largest of the many possible definitions canvassed recently in the Treasury Bulletin. But if the Chancellor wants to unpack the expenditure side, he has also to unpack the revenue side and deal with capital receipts from pri*vatisation, council house sales and* even inheritance tax. We are a long way from a proper public sector capital account.

The other rejected alternative came much earlier in the speech when Mr Lamont emphasised how useful the Maastricht framework *was, irrespective of whether* the UK adopted a single currency or not. It seemed for a moment that he would switch *to the Maastricht budget def*icit limit of 3 per cent of GDP. But in the end he veered back to the established objective of "a balanced Budget over the economic cycle" – on the achievement of which I would not *stake my life's* savings.

The fiscal risks are a European-wide phenomenon. The existence of a single liberalised capital market and much diminished cur*rency risk means* that any one government will find that it can borrow quite a lot without pushing up rates *of interest against itself. But the* totality of European-wide borrowing could increase the burdens on the planned European Central Bank, raise European real interest rates, and make for instability against currencies such as the dollar and the yen. No wonder the Bundesbank wants to see the *fiscal* side tied up before it comes on side.



Source: Red Book

* Negative values indicate a public sector debt repayment

But if the fiscal prospect errs towards excessive borrowing, the *monetary position risks being too* tight. There is another very striking chart showing both broad money growth and bank and *building* society lending diving to a growth rate of little more than 5 per cent, compared with around 15 per cent in the mid-1980s. This is far from "deflation", but still worrying.

I take a middle view between the technical monetarists, who shout "woe, woe, woe" and *mainstream* forecasters who carry on predicting recovery, which they simply project forward when it fails to occur. For despite all disappointments, the Treasury sees growth resuming at around 1 per cent in the first half of 1992, and gathering pace to reach 3 per cent in a *year's* time.

The monetary numbers are a warning that the official forecasters could go wrong yet again, not a sure-fire prediction. If consumer and business borrowers decide that they have reduced their debts enough, and there were a return of animal spirits, the economy would pick up and the monetary numbers with it.

One of Friedrich Hayek's seminal papers was entitled "The Pretence of Knowledge"; and this is what both mainstream forecasters and their *ferocious monetarist critics* find difficult to avoid. The Red Book comes close to admitting it when its authors write: "*The rise in the debt*-income ratio in the late-1982 was unprecedented, and past relationships provide little guide to how far consumers might now want to retrench." Why not then publish a *report on what is* happening with an analysis of risks instead of a conventional forecast?

> **'The Pretence of Knowledge' marks both mainstream forecasters and their monetarist critics**

What I always find most interesting about the Budget documents is not *the crystal gazing, but the analysis* of recent history. In chart after chart, the UK's remarkable success *in reducing inflation* to the German level emerges, coupled with the narrowing of the UK-German interest rate differential.

Another success sign is the unmistakable way in which the British share of world trade in manufacturing, after decades of falling, has levelled off, or even slightly risen, in the last nine years or so. Meanwhile UK price and cost competitiveness, after a couple of years *of deterioration, have now recov*ered to the mid-1980s level.

The ERM link was not logically the only way of bringing down UK inflation and keeping it there. But it is one that seems to be working. It would be foolish to cast it aside because of a fatalistic belief that German interest rates will never come *down, and that the* UK cannot recover without a unilateral slashing of rates.

It is surely better to hold on to, and lock in, the anti-inflationary gains, as Mrs Thatcher *did not do in the mid-1980s, than to* throw them away because of a horrified refusal to see western Europe as a *single* monetary zone, or to frighten oneself with projected balance of payments deficits just at a time when the Central Statistical Office has slashed the actual recorded deficit for last year by a quarter.

Adieu to monetary policy

"Monetary policy is primarily directed at the mainte*nance of sterling's parity* within the exchange rate mechanism."

With 15 of these 16 unexciting words the chancellor yesterday confirmed officially what has been obvious for some time – that the government has largely abandoned monetary policy as a response to domestic conditions. UK interest rates are now set mainly in Europe, *and that means* Frankfurt.

It is true that the chancellor's 16th word, "primarily", offers a saving clause. *So far* as they are willing to support sterling from the reserves, the authorities can allow rates to ease to a point which runs mild risks with the exchange markets. *Indeed*, in recent weeks an average of about $10m a day has been spent to avoid following German rates up. That, however, is hardly what Mrs Thatcher would have called monetary sovereignty.

It is true, too, that "in common with all the major countries within the ERM", Mr Lamont did set a domestic monetary target; but it seems to have no practical meaning. *Mr Nigel Lawson introduced* the M0 target mainly because, unlike broader measures of money, it is quite a good short-term indicator, and tends not to misbehave. Indeed, no policy action has ever been taken to bring M0 under control or boost it.

*Mr Lawson was, in fact, stealth*ily claiming a free hand in monetary policy. Mr Lamont is using the same device to disguise the *fact* that he has almost no freedom. Similarly, he said that he would "closely watch" the more traditional broad measures of money, and the trend of *asset prices*; but he did not indicate any action that he might take. The record suggests it is purely a spectator sport.

This busy tax reformer seems bored with monetary policy. It is as if he had overlooked it until someone muttered the words of the drill sergeant watching his troops heading for oblivion: "Say something, sir – even if it's only goodbye."

Anthony Harris

Industry receives a selective shot in the arm

Charles Leadbeater assesses whether the Budget will help raise British business from the depths of recession

BUDGET '92

For the chief executive of a small business in the car industry facing a huge rates bill, who has a sideline investing in British films, an offshoot making cider *and a brother who is* a bookmaker, yesterday brought a stream *of good news*.

All these groups of businesses benefitted from Mr Lamont's Budget. But for much of the rest of industry the direct impact was neutral. It will give them little help in emerging from the current recession.

It is unlikely that the budget measures designed to benefit all businesses, such as the cut in the uniform business rate, will deliver a signifi*cant early boost to capital investment*. According to Mr Ron Garrick, chief executive of the Weir Group the Scottish engineering concern, the business rate cut would amount to only 0.25 per cent of his company's costs.

The Treasury forecasts that business investment will fall by 2.75 per *cent this year after a fall of* 11.75 per cent last year.

What really matters to business is the impact the budget has upon the political outlook. Most executives agree with the chancellor's assessment that most of the ingredients of recovery from recession are in place *in the UK – principally* lower inflation, healthier personal finances and lower interest rates.

The Treasury forecasts that in the next year, these improving economic indicators *will be reflected in com*pany finances. The corporate sector financial deficit, the gap between its savings and its investment, should close to less than 0.25 per cent of GDP this year and disappear altogether next year. The real rate of return industrial companies receive should rise from a trough of about 6 per cent last year to reach 8 per cent next year.

But many industrialists believe the recovery which should bring this improvement in corporate finances is being held back by uncertainty *among consumers over the timing* and outcome of the election.

The budget should improve business confidence, if *it* paves the way for the election to be called and a Tory victory. Many businessmen were impressed by the cleverness of Mr Lamont's creation of a 20p income tax band for the first £2,000 of taxable income.

As one engineering group executive *put it*: "If we can get the election out of the way we can get on with doing some business."

The general *assessment* among businessmen was that although Mr Lamont had improved the Tories' chances the outcome of the election was still in the balance.

The two most striking packages of business measures were delivered with clear political messages.

This was a budget designed to help repair the government's relations with small businesses, many of them in the recession-hit south east.

They will be the main beneficiaries *of cuts in business rates* (which will affect about 500,000 businesses in England and Wales); the aboliton of inheritance tax for family business; a reduction in the threshold at which value added tax is paid and measures to make large companies pay their bills more quickly. Small business *organisations responded enthusiasti*cally.

By contrast, large businesses got very little. They will benefit from last year's decision to reduce corporation tax to 33 per cent. They will be pleased that full VAT returns will have to be made quarterly rather than monthly, hence saving administrative costs. But these gains trifle in comparison with what large companies did not get.

A campaign by large international businesses to ease their advanced corporation tax burden won them no *more than an assurance that it would* be dealt with in future. They will be required to publish in their annual reports how long *they* take to pay their small suppliers. One of the main reasons the chancellor ruled out capital allowances to boost investment was that they would disproportionately benefit big companies. A move to close a tax loophole involving the way companies in part of the same group account for property rent will mainly hit large conglomerates.

The other main business benefi*ciary should be the car industry*, which reacted gleefully to a raft of tax changes. These included a halving of car tax, and a 50 per cent increase – to £12,000 – of the value of a business car which can be claimed as a capital allowance.

Retailers and car manufacturers *who deal* more with private rather than corporate sales should particularly benefit. Mr Lamont has made it easier for companies to give employees cash to buy their own cars rather than take fleet cars. The corporate sector will probably get about 60 per cent of the £635m which the reduction in car tax will cost the exchequer. However this has to be set against the £750m a year bill it could be facing from this June from the introduction of national insurance contributions *on company cars*.

General retailers who were shocked by last year's large increase in VAT to help to pay for reform of the poll tax will be relieved that Mr Lamont said there would be no further increase or extension of its scope. Retailers with multiple outlets should be among the main beneficiaires among large companies from the cut in *business rates*.

However, the high street will remain a fairly glum place. The Treasury predicts a slow and uncertain recovery in consumer spending despite the income tax cuts.

The construction industry will be even more aggrieved. The official forecast is that *investment* in private dwellings will fall by 1.75 per cent this year and the housing market will remain weak. Construction companies delivered the most negative response to the Budget. Mr Robert Napier, managing director of Redland, the building material group summed it up: "*Construction output is forecast* to fall by up to 6 per cent this year. The budget has done nothing to alleviate that."

Sectors of manufacturing industry which have been forced into *radical* restructuring by the recession, such as basic metal working and mechanical engineering, were also dissatisfied. *Machine* tool manufacturers which have seen new orders fall by between 30 per cent and 60 per cent were disappointed there were no specific measures to stimulate manufacturing investment.

Yet beneath the detail and beyond the immediate political priorities of the budget, Mr Lamont delivered another message which business should listen *to* carefully. Recovery from recession will be gradual partly because British economic policy and performance is so hemmed in by international constraints.

As Mr John Hudson, *chief executive* of Wagon Industrial, the Telford based engineering group, put it: "The basic message is that with European economies so integrated no British government can on its own pull the economy out of recession. There are no more quick fixes."

Little comfort for large industries

THE BUDGET: Comment

Joe Rogaly

Buying votes for peanuts

A clever Budget, but just possibly not clever enough. It looks prudent – or shall we say less imprudent than anticipated – and therefore it does not unduly frighten the horses. It will make most voters some £130-plus a year better off, or rather less than that if increased excise duties are taken into account. The payoff will be dribbled out in weekly allocations over the year beginning April 5 1992, which means that the voting will precede the backhanders. It is not absolutely clear to me that British votes can be bought for peanuts these days.

If they can, all the election speculation is over. The Tories will be back, and they will stay there for another 10 years, cutting taxes whenever they can. But it is not certain that the game is over, not yet.

Let us follow the prime minister's habit and draw a line down the centre of a sheet of paper. Take the right-hand side. Mark it "good for the Tories". Tick off the items. The peanuts are intelligently targeted. Something for the poorest pensioners. A little for the low paid. These show the Conservatives under Mr John Major to be all heart. We must not, however, forget the wallet. The fisc is in such an alarming state of growing imbalance that not much could be offered, but something was found – that very £130-plus on account. Raising thresholds would have been more generously aimed at the poor than yesterday's surprise introduction of a new 20p rate for the first £2,000 of taxable income, but this was the Budget of a Conservative administration in a state of desperation. An unqualified focus on poverty was perhaps too much to expect.

There are other target areas. Small business will feast on a banquet of small measures. Inheritance tax is to be reduced. The beneficiaries are likely to be concentrated in the south-east, where Labour must make gains if it is to win an overall majority. The motor industry is to be rescued; Mrs Margaret Thatcher's "great car society" is not forgotten. The industry is manned by those very skilled workers who helped to put her in power. The Conservatives have not managed to restrict their handouts to the few hundred thousand voters in marginal constituencies who must be bought off if they are to win a fourth term, but they have come as close to it as our fiscal system allows.

It might sound a little mixed up, but then so is the government. It will fight the election on the proposition that it is prudent (tick it off), understands business (another tick) and cares about the unfortunate in society (half a tick). None of this would be good enough, but for the dream. Yesterday's 20p rate gives verisimilitude to the Conservative claim that it is the tax-cutting party. It underlines the charge that Labour is the party of higher taxes. Dream or nightmare, this juxtaposition is intended to work on the voters' minds.

The phantasmagoria is cheaply bought. It is based on small change, which is all that will clink in our pockets if the Tories come back. For large-denomination notes we must wait. If we want to pay more – nightmare – we vote Labour. It has the merit of cunning. As I listened to Mr Lamont drone on with bloodless implacability in the Commons yesterday I had a dream of my own. The cadence-free voice was that of the chancellor, but, looking at Mr Major sitting behind him you could not help being reminded of Joel Gray, the emcee in the musical Cabaret.

He had that secret look on his face. You must remember the verse: *money money money money . . . money makes the world go round*, ending with a raspberry . . . *sappps . . . on being poor*. Mr Major has excluded the raspberry. He would. He is not stony-hearted. He has demonstrated that. Yet the essence of his budget is *a mark, a yen, a buck or a pound . . . that clinking, clanking sound*.

End of dream. Move to the other side of the line drawn down the centre of the pad. Head it "good for Labour". We cannot fill this in quite yet, except with guesses. The *clinking, clanking sound* will be tested on a date expected to be announced by the prime minister today or tomorrow. The Labour party has given itself a week in which to come up with

an alternative. Yesterday Mr Lamont must have taken some pleasure from the obvious discomfort of the opposition when he produced his surprise 20p band. This destroyed the best part of the speech prepared by Mr Neil Kinnock denouncing the Tories for knocking a penny or two off the standard rate. No knock-off; no possibility of denunciation. We must give our much-criticised chancellor credit when it is due.

We cannot yet put the opposition's obvious discomfiture safely in the Tory column, or tick it off. For the Labour response will be reshaped. Mr Kinnock is as desperate for victory as any Tory. His entire political future depends upon it. Before yesterday's Budget the plan was to accept whatever figure Mr Lamont gave for the public sector borrowing requirement. Labour's putative chancellor, Mr John Smith, would then redo the sums to come up with the same figure. That gives Mr Smith £28bn to play with. He will have to match Mr Lamont's ingenuity if he is to devise a more attractive-looking deal.

Mr Kinnock told us just before Christmas that Tory tax cuts would be restored. Some of his colleagues were yesterday wishing that he had not said that, but Mr Smith seemed determined to proceed with the original plan. If his determination survives what is likely to be a week of earnest internal debate, he will have to allow that the 20p band will not be introduced by Labour this year. Mr Smith's rationale is that it constitutes a generalised tax reduction for all people, not just the lower paid. On the assumption that the rate stays at 25p under Labour, that gives the shadow chancellor £1.8bn – the cost of the 20p band next year – to spend on meeting the opposition's various promises. Tick Labour.

This is not all. Mr Lamont has more than matched Labour's offering to pensioners, but restricted his largesse to the worst off. He is right to do so. Labour would have to cost the enlargement to a universal benefit, minus the extra tax income received from wealthier pensioners in receipt of the party's proposed increase. The Conservatives said nothing new about child benefit, which they are indexing. Labour is pledged to increase it yet further. Mr Smith has also indicated that Labour will increase higher rate taxes to 59 per cent, and tax investment income by 9 per cent. He may choose to phase some or all of that in. During the coming week there will be an assiduous use of calculators to see how much can be promised to meet Labour's proposals to spend yet more on health and education, without giving the appearance of profligacy.

For if Mr Major is appealing principally to the wallet, while remembering the heart, Mr Kinnock will seek to re-awaken visions of the providing state. Every restoration of tax, every tax increase, every reshuffle in the Smith shadow Budget next week will convey the message that greater expenditure by government is good for us.

Britain will then go to the polls to choose between two Budgets, each entailing the same amount of total borrowing, but the one emphasising tax reduction, the other public spending. The two Budgets will be very similar when viewed by accountants and economists. They may adopt an identical fiscal stance. But the philosophies will be widely divergent. There will be a clear choice. This may be the first time such a public verdict on a Budget has been so explicitly sought.

The political race is now so very close that the smallest spurt of speed by one party or the other could make all the difference to the outcome. Yesterday the Conservatives undoubtedly put on speed. For all I know they may yet risk an interest rate cut to give themselves a further edge. This will be followed by a hard-fought campaign. Absent the Smith and Kinnock responses, nobody can safely put their money on the Tories this morning.

Caring moves at the bottom of the ladder

John Willman on help for those with low incomes

BUDGET '92

The last budget before the general election has been used to make two points about Mr John Major's approach to social policy.

The first point is that he is prepared to devote resources to helping people who are at the bottom of the income ladder – in contrast to his predecessor.

The most obvious indicator of this is the introduction of a reduced rate of income tax for the first £2,000 of taxable income.

The cost of the new 20 per cent tax band will be £1.8bn in 1992-93, rising to £2.3bn in the following year – but three-quarters of the £1.8bn cost will go to people earning less than average male earnings.

It will also be hard for Labour to argue against the reduced rate band — it was commited to one

This allows the chancellor to point out to those on below-average income that much of the benefit goes to them. At the same time, he can sell the reduced rate band to the better-off as the first instalment of a cut in the basic rate of tax from 25 per cent to 20 per cent.

It will also be hard for Labour to argue against the reduced rate band – until quite recently, the party was committed to introducing at least one lower-rate tax band itself. Mr John Smith, the shadow chancellor, has been quoted in the past as saying that he regarded a 25 per cent marginal tax rate for those earning just above the tax-free allowances was far too high.

At least as significant in demonstrating Mr Major's more compassionate approach in the run-up to the election are the increases in income support announced for pensioners: £2 a week for single pensioners, £3 a week for couples. At least 5m less well-off pensioners will gain something from the increase – half through rises in related means-tested benefits such as housing benefit and community charge benefit.

The increases announced in the Budget come on top of rises announced last October as part of the annual uprating of social security benefits and allowed the chancellor to claim that by next October, the full income support rates for pensioners would have been increased by between £5.75 a week and £10.70 a week in total.

The government will contrast these figures with the increases in the flat-rate state pension which Labour has promised to all pensioners of £5 a week for single people and £8 a week for couples.

Of course the government's totals include the indexation element of last October's uprating – Labour's increases would be on top of that. And only pensioners on income support get anything out of these rises – the increasing proportion who do not need to rely on means-tested benefits will get nothing from higher income support.

But that in turn allows the government to make a second point about its more compassionate approach: that while the Conservatives are prepared to be help the needy, they are hard-headed in how they do it. The Conservative approach is to be selective rather than universal, to target help to those who need it, not spray it around willy-nilly.

As the chancellor pointed out in yesterday's Budget speech, pensioners are increasingly well-off, as entitlement builds up to occupational pensions and the state earnings-related pensions scheme.

"On average, pensioners' real income increased by more than a third between 1979 and 1988," Mr Lamont pointed out. "More than half of pensioners now have a second pension; and pensioners have seen their income from saving double since 1979."

The proportion of pensioners who depend only or mainly on the basic flat-rate state pension is falling. By promising to increase the flat-rate pension substantially to help this declining group, Labour must also find the resources to pay the same increase to pensioners for whom the flat-rate pension is relatively unimportant.

This makes Labour's promise expensive one – it would cost £2.9bn, and to pay for it, Labour must increase tax and national insurance contributions for people earning much over £20,000 a year. Yesterday's increase for pensioners on income support, in contrast, will cost no more than £305m in a full year.

The benefits of such targeting are emphasised by the chancellor's statement that the increase will be paid for out of reserves. The cost is so small that it need have no consequences for public expenditure – never mind require a tax increase.

The increase for pensioners on income support will be deployed to neutralise Labour

Whether this will impress pensioners remains to be seen. Many of the 5m pensioners to benefit from yesterday's rise will get less than the full increases: dividing the £305m between them means that the average increase is £61 a year (£1.17 a week).

And there are many pensioners whose incomes are too high to qualify for income support and other means-tested benefits who would not see themselves as well-off. They may well reflect that Labour's extra £5 a week for singles, £8 a week for couples would be a prize worth having.

But the increase for pensioners on income support will undoubtedly be deployed by the Conservatives in ways which attempt to neutralise Labour's appeal to pensioners – while portraying the government as one which can afford to be generous to the most needy while being prudent with scarce resources.

Pessimistic funding forecast offers only gilts traders joy

Barry Riley on Budget implications for a stagnant market

It was not, in the event, quite the generous Budget that the whispers had indicated. Tax concessions amounted in aggregate to about £1.5bn against anything up to £4bn which had been mooted in the City scribblers' circulars.

But this brought no relief to the gilt-edged market last night because the Chancellor's starting point appears to have been worse than all but the most pessimistic had been anticipating. It was not so much a giveaway as a spendaway Budget.

A big funding job now beckons for the Bank of England. The PSBR of £28bn for 1992-93, with a possibly optimistically calculated £32bn or so slated for the following year, caused gilt prices to fall back in late trading.

A press notice from the Bank of England set the scene with an indication that about six gilt-edged auctions are likely over the next year, each raising £2-3bn or even more if conditions are favourable. Those should account for between £15bn and £20bn. Last year's auctions were for more modest sums.

Net gilt-edged borrowing may be some £25bn next year, allowing for redemptions. But gross issuance of gilts should be about £33bn, although the exact total will depend on the success of the revived sales drive at National Savings, and also on the flows of revenues from privatisation sales which are estimated at £8bn. If you exclude privatisation receipts, which to varying degrees you may have to if any government other than a majority Tory administration is returned at the election, the PSBR would be £36bn next year. In any case, privatisation revenues are expected to tail off sharply after next year.

The gilts market does not really know whether to laugh or cry at all this. On the one hand, the market makers are delighted at the prospective expansion of business. Their territory has already stopped shrinking, and will soon be growing at a spanking pace. But will the supply of paper be so great as to demoralise purchasers? Not if you believe the traditionally self-correcting projections in the medium term financial strategy, which shows the PSBR dwindling back to a modest ¼ per cent of GDP in 1996-97 (£6bn or so).

This depends, however, on economic growth hitting 3½ per cent for years at a stretch in the mid-1990s. If the depression were to persist the numbers would look awful, however. After all, in the financial year starting next month government receipts in money terms are projected to rise by only 3½ per cent while expenditure jumps by 9½ per cent.

Taking the official view at face value, however, the financing problem is not enormous, although efforts may need to be made to jolt some of the domestic investment institutions into changing their investment strategy.

Recently much of the running has been made by foreigners. The important point to bear in mind here is that the gilt-edged market no longer stands proudly, or sometimes forlornly, alone as it did in the 1970s. Since the UK became a full member of the European Monetary System in October 1990 the gilt-edged market has become a rather unimportant corner of the broader European government bond market.

The gilt-edged market has become a rather unimportant corner of the broader European government bond market

Because there are doubts about whether the UK will really be able to sustain a central exchange rate of DM2.95, and because there is in any case the extra currency risk of a 6 per cent fluctuation band for the time being, British government debt pays a premium over that of other leading EC member states. Ten-year gilts pay about 150 basis points (1.5 per centage points) over German bunds, while the French government gets away with a corresponding premium of say 90 basis points.

Still, at these kinds of rates there is potentially a very large international demand. This already came into play in 1991, when foreigners had the same net uptake, £5.3bn, as domestic non-bank investors. Many overseas investment institutions, after all, are keen and regular bond buyers. The problem is that many British institutions have lost the habit. Now the Bank of England must stimulate it again.

Gilt sales

Net sales of British government securities

Financial years	£bn
1983-84	11.7
1984-85	10.2
1985-86	5.7
1986-87	5.1
1987-88	7.1
1988-89	-13.3
1989-90	-15.8
1990-91	-3.0
1991-92	10.0 est
1992-93	25.0 est
1993-94	30.0 est

During the first three quarters of 1991 the long-term institutions – mainly life insurance companies and pension funds – actually continued to be net sellers of gilts to the tune of almost £2bn, although by the end of that period they had begun to buy.

During the 1980s the institutions turned away from gilts, especially the pension funds. At the beginning of that decade pension funds had around 25 per cent of their portfolios in gilts (and life funds a lot more). But the latest figures for end-1991 show that the typical pension fund had 3 per cent or less in fixed interest gilts, although possibly 1 to 2 per cent in index-linked gilts as well. Exposure to overseas bonds is about 5 per cent, as large as the whole investment in British government securities.

Viewed positively there is a big opportunity here for the authorities to engineer a portfolio shift. The investment institutions have an annual cash flow of some £40bn, so if a substantial proportion of this could be directed into gilts the problem would be solved. As recently as the early 1980s one third of pension fund cash flow was going into gilts of one sort or another (though since 1986 the funds have been consistent net sellers).

The task may be more difficult than it looks, however. Fund managers will need to be convinced that the outlook for equities – to which pension funds have an 80 per cent exposure – has become poor. Moreover they will want a secure real return on gilts. This can no doubt be made credible by the UK's ever-closer attachment to the EMS, with entry to the narrow fluctuation bands promised "in due course" by Norman Lamont in his speech yesterday. However, the market has tended to hope that the EMS would be the basis for long-term financial prudence, not a borrower's charter.

Meanwhile, taxpayers may worry that the borrowing could become very expensive for the government. Public borrowing is deferred taxation, so long as you stick to sound money.

It was not quite like this in the past. The last wave of massive UK government borrowing was in the 1970s. But the burden was eroded by inflation which totalled 270 per cent in the ten years starting 1973. That was 14 per cent a year on average, so the 13-15 per cent interest paid out was a complete illusion. Since 1982 inflation has averaged only 5.7 per cent a year. Now there is the prospect that it might fall to the 2 to 3 per cent range. So a government going on a protracted borrowing binge at 9.5 per cent could soon find itself in the plight of a yuppie house buyer of 1988 vintage.

Ahead of a closely-fought general election, however, a Chancellor of the Exchequer has little option. Ironically the gilt-edged traders might have responded better if Norman Lamont had produced a few more bribes. At least that would have made a Tory election victory seem more likely.

As it is, Mr Lamont has turned on the taps which his successors may be happy to keep gushing at full capacity. Within three years the government's financial position has turned around from substantial surplus to heavy deficit. The recession has something to do with it, but there is more besides. If the Conservatives behave like this, what can the gilt-edged market expect under John Smith?

Last night the investors were just a shade nervous. The gilt-edged market makers, however, can expect to be busy and prosperous for a long time to come.

UK NEWS

British Gas agrees to auction off gas supplies

By Deborah Hargreaves

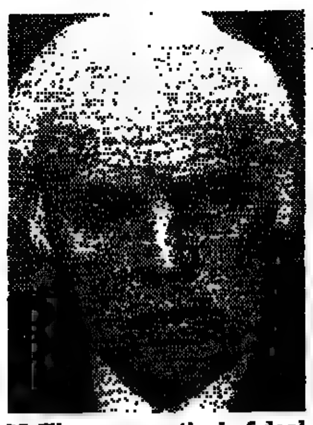
BRITISH GAS has agreed with the Office of Fair Trading (OFT) to auction some of its gas supplies in order to halve its share of the industrial gas market in the next three years. Based on last year's after-tax profits of £1.16bn, the move could cost British Gas £140m to £150m each year.

The company has also completed plans to put its pipeline and storage system into a separate subsidiary as part of a package of undertakings which aims to encourage competition in UK gas supply.

But the deal, which will be announced today, is viewed with scepticism by Ofgas, the industry regulator.

Sir James McKinnon, director general of Ofgas, is expected to distance himself from the final undertakings, though he will want to maintain pressure on the OFT to ensure that British Gas does not try to increase prices to compensate for lost business.

The agreement forces British Gas to cut its market share to 50 per cent of the industrial market or 3,000m therms, whichever is smaller, by 1994.



McKinnon: sceptical of deal

The OFT is believed to be exerting behind-the-scenes pressure on British Gas not to raise prices as it loses market share, but instead to turn away customers for whom it has no gas. This, however, brings it into conflict with Ofgas, which says British Gas must meet any reasonable request for gas.

Today's deal was reached after the OFT threatened a month ago to refer British Gas to the Monopolies and Mergers Commission. It was patched together after the intervention of Mr John Wakeham, energy secretary, who was anxious to avoid a row before the election.

Sir James is believed to have favoured a reference to the MMC as a way of forcing the debate out into the open.

The new deal calls on British Gas to sell 500m therms of its gas to competitors in October, for which the company will charge an average wholesale price and handling fee.

After that, the OFT will monitor supply and demand in the market to determine how much gas supply British Gas must auction each year to reduce its market share. As part of the agreement, the gas must go to competitors supplying the industrial market.

In addition, British Gas has agreed to begin operating its transmission and storage division as a separate unit within the company from October.

Ofwat to review water charges

By Richard Evans

MUCH greater involvement of customers in the setting of charges and levels of service by water companies is to become a top priority, Mr Ian Byatt, director-general of Ofwat, the industry's economic regulator, said yesterday.

Mr Byatt warned at a Financial Times conference on the European water industry in London that, without much greater consumer participation, the regulatory regime of the privatised industry might be in jeopardy.

"This will not be an easy task, but I believe it is essential to try," he said. "I would go so far as to say that, without acceptance by customers that they are getting value for money, the whole regime could be at risk."

Mr Byatt's views are significant because he will be responsible for drawing up new charging limits in 1994 before they are implemented for five years from April 1995. It will be the first big change in pricing levels since the industry was privatised in 1989. After substantial price rises to pay for the early stages of the £28bn capital spending programme; there will be pressure for customers to be protected as much as possible.

BRITAIN IN BRIEF

Cost-savings agreed on missile project

Britain has negotiated changes in a joint project with France and Germany for a new anti-tank weapon fired by helicopters, after baulking at the cost of UK participation.

The Ministry of Defence said savings had been achieved by cutting the planned programme of test firings.

Almost two-thirds of the estimated £750 development cost has been spent. The new plan is expected to reduce the remaining costs to the UK by about half to £45m over the next five years. The decision to remain in the Long-Range Trigat project was greeted with relief by British Aerospace, the main UK partner.

Bomb disrupts rail services

An IRA bomb exploded near Wandsworth Common station in south west London disrupting train services in the capital but causing no injuries.

The bomb had been placed in a junction box by the trackside and exploded about thirty minutes after a telephone warning had been received by the police. In a separate security alert, Liverpool Street mainline station was closed and underground services suspended.

New SFO chief

Mr George Staple, a partner in Clifford Chance, the UK's largest law firm, has been appointed the new director of the Serious Fraud Office (SFO) taking over from Mrs Barbara Mills QC, who was appointed Director of Public Prosecutions last month.

CBI criticises Scottish plans

The Confederation of British Industry in Scotland has decided it likes none of the proposals for constitutional change north of the border.

Mr Alasdair MacCallum, chairman of the CBI in Scotland, said there was "no evidence to suggest that the proposed alternatives for governing Scotland offer any improvement in stability and confidence."

MPs warn Maxwells

A committee of MPs may decide to rebuke Mr Ian Maxwell and his brother Kevin for impeding a Commons' inquiry into the Maxwell pension scandal. Many of the MPs on the committee have been angered by the Maxwell brothers' reaction, arguing it has prevented a complete dissection of how the late Mr Robert Maxwell was able to raid more than £400m from the pension funds of companies he controlled.

Land plan postponed

The government has postponed its plans to compel local authorities to introduce registers of contaminated land by April 1 after complaints by developers. It is estimated that 100,000 sites in the UK are contaminated by pollution.

Dry prospects for North Sea prosperity

David Lascelles finds offshore oil operators pinning their hopes on a fresh oil strike

THE handsome granite-built homes of Aberdeen suggest that prosperity continues unabated in Europe's oil capital. But there are signs of anxiety on the city outskirts where large industrial estates house the UK's offshore oil industry.

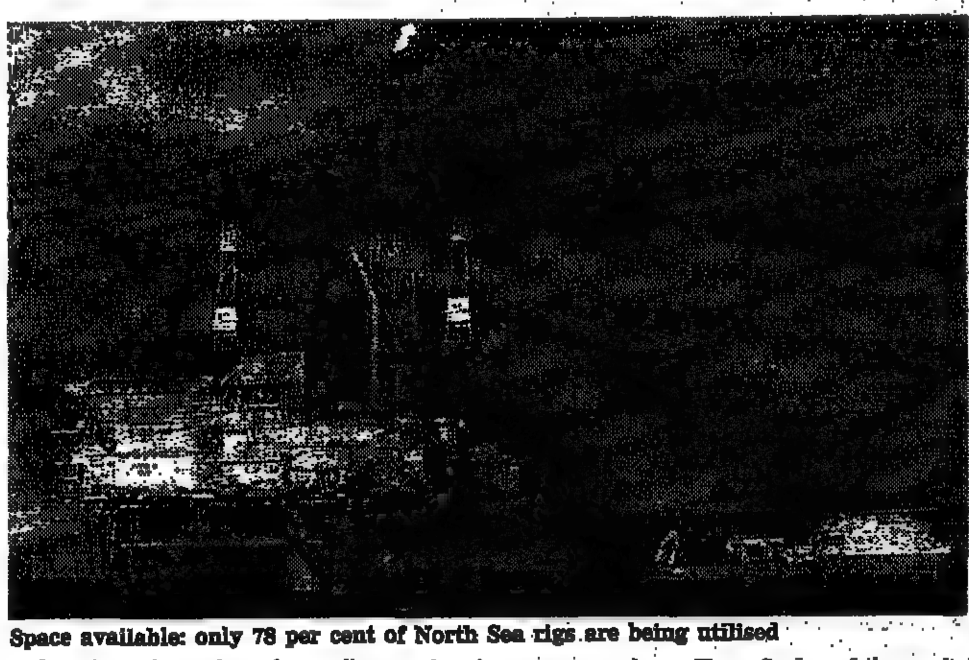
The combination of a weak oil price and plenty of spare capacity in the drilling and contracting industry has prompted close questioning about the prospects. In addition, changes recommended in the Cullen Report on North Sea safety in the wake of the Piper Alpha disaster will add to the industry's costs.

Mr Norman Chambers, chief executive of Rockwater, one of the leading underwater engineering contractors, predicts that demand for services from his sector will begin to tail off next year, the exact rate depending on the oil price.

"The whole contracting and fabricating industry must downsize," he warns. "We've got to be realistic about it."

His views are echoed by Mr Gavin Strachan, marketing and contracts manager of Atlantic Drilling, an independent drilling contractor. He says the utilisation rate of rigs is now only 78 per cent. More than 90 per cent utilisation is needed to sustain a healthy market.

"Last year, for the first time, there were more rigs available in the North Sea than in the Gulf of Mexico," he says.



Space available: only 78 per cent of North Sea rigs are being utilised

Operators blame the softening of the market on two things: the low oil price blunting the exploration incentive, and the widespread feeling that all the big North Sea finds have now been made. Most current developments are much smaller than the glory days of the 1970s and early 1980s so it is easier for operators to stop and start, adding uncertainty to the market.

The outlook, however, for activity is not altogether poor. A fresh round of exploration licences has been announced, including "frontier regions" – areas of the North Sea and Western Approaches which have not yet been explored.

The industry was preparing for the Cullen recommendations, but the new rules – to be phased in from the end of this year – will add a further burden to the contracting sector. The safety modifications could cost an average of £1m per rig, says Mr John Archibald, deputy general manager of Atlantic.

The softening of the market has also encouraged the offshore contracting industry to reconsider its long term future. The oil and gas group of Scottish Enterprise (SE), the state-funded development body, has decided the time has come for "a long-term reorientation of the industry from the diminishing home market to international markets".

Last month Mr Crawford Beveridge, SE's chief executive, announced plans for an export drive aimed at doubling overseas sales by 1996, equivalent to about £100m growth in 1990 money. "Expansion of our indigenous oil and gas companies will only ultimately be generated via internationalisation," he says.

One element of this drive will be the establishment of a sales office in Moscow, where SE sees opportunities for Scottish industry to help with development of oil and gas in the former Soviet republics. About £25m has been earmarked for the office over a period of several years.

Aberdeen is also the home of a new International Drilling and Downhole Technology Centre where oil companies can test offshore equipment.

But individual companies will have to adjust to tougher conditions in the meantime. Mr Chambers of Rockwater predicts that contracting companies will have to share more of the risk with the oil companies in order to win business.

For companies like Atlantic, the future lies partly in controlling costs and partly in the belief that oil companies will be forced to step up their search for oil.

"Why do we remain in the drilling business?", asks Mr Strachan. The answer lies in figures which show that available oil reserves are being run down, but that the exploration potential is still huge. "The long term strength of the business is that we're going to have to find lots more oil."

Andrew Baxter and Andrew Bolger investigate the steps BTR is taking to integrate Hawker Siddeley into its operations

Godfathers get control

What should managers expect to face if they are taken over by BTR, the acquisitive UK industrial conglomerate? Executives of Hawker Siddeley have been finding out since BTR won a bitterly contested £1.55bn takeover battle for one of the most famous names in British engineering.

Within days of the bid victory last November, every Hawker managing director and finance director in Europe was summoned to a hotel at Heathrow airport to hear about BTR, and its plans for Hawker.

Robert Faircloth, recently appointed as BTR's chief operating officer, has been supervising the integration. "A key is to create a sense of urgency very quickly," he says.

Although BTR executives are careful not to criticise their counterparts at Hawker, Faircloth says this approach was a change for Hawker, where there "was not the highest or greatest sense of urgency".

But BTR admits that it is learning a few lessons as well as dishing them out. Its proposal to create a global electrical engineering business, revealed in the final stages of the bid, has been dropped – suggesting that Hawker knows more about its businesses than BTR supposed.

For Faircloth and Alan Jackson, BTR's chief executive, the change of plan shows that during their first 100 days at Hawker, speed has been tempered by a determination not to jump to conclusions about any part of the engineering group's sprawling empire.

The past few months have been a testing time for Hawker's managers. Their first hurdle was to come to grips with BTR's strict financial planning and controls system. At the Heathrow meeting, they were shown what Faircloth describes as "the real bible of BTR, our profit planning programme – in the form of a written manual and computer disk".

"We simply said 'OK, get familiar with our plan technically and philosophically, take your plan, put it on to our forms and we'll take a look at it'."

At the same meeting, BTR rammed home the importance of discipline in the monthly financial reporting that underpins the group's profit planning.

Faircloth says Hawker's month-end reporting lacked such discipline: "They probably reported on the fifth day after the month-end: but if you were out someplace, so what, you didn't do it until later".

In contrast, by the third working day after every month ends, senior executives in BTR's worldwide operations have figures for orders, sales, profits, and return on sales for every operation. By January both groups were reporting on a common basis.

Robert Faircloth: urgency

> 'Here is the person to be your minder, godfather, counsellor. This is the man who's going to acquaint you with BTR. He has one authority – he's going to control the purse strings'

Alan Jackson: speed

At the same Heathrow meeting, Hawker's managers were introduced to BTR's "A-team" – a group of about 30 senior managers who had been studying Hawker intensively for months. In the weeks before BTR's victory, the A-team had been allocated to follow Hawker's seven business divisions and were now paired with their counterparts.

Faircloth told the Hawker managers: "Here is the person to be your minder, godfather, counsellor. Not your boss, we'll keep the structure virtually in place, but this is the man who's going to acquaint you with BTR. However, he has one authority – he's going to control the purse strings."

Most expenditures above £20,000 needed the approval of the minders. Faircloth, a tough, no-nonsense American, says: "We would say 'You can't buy an automobile', just so we could get a handle on the automobile policy." However, BTR says several important items of capital expenditure were approved during this clampdown, which has now been lifted.

The next stage was a programme of worldwide factory visits to allay uncertainty. By Christmas, BTR had visited 96 per cent of all Hawker's facilities. "There was a remoteness existing in the company – our style is to meet people and show an interest in the business," says Faircloth.

BTR had a form which its managers and Hawker's would fill out as they walked through a plant: were there leaky roofs, what was the general appearance?

At the same time, the BTR teams were making simple appraisals of the Hawker managers, giving them scores of one to 10.

Between 75 and 80 per cent of the 100 or so people who were assessed had their management skills scored as average to above average. BTR is full of praise for how Hawker managers responded to what Faircloth describes as a "pretty horrendous drill" in terms of 60-70 hour weeks.

All this data started flowing back to BTR's "war room" in Wokingham, Berkshire. Faircloth personally visited Hawker's perceived problem areas such as instruments and controls, and general engineering.

The initial phase of the takeover came to a climax in mid-January, when BTR revealed its management structure for the enlarged group. Some of the integration team assumed management control of Hawker businesses, while others went back to their former jobs. Several Hawker men retained control of their businesses, and some were given increased responsibility.

The entire exercise has been useful in a number of ways to BTR. Information collected during the 100 days has identified those Hawker businesses – such as rail – which are likely to need strategic partners to survive.

Not that Hawker managers have finished jumping through hoops – or being assessed. Faircloth said the scoring exercise will be repeated at the end of March, but this time the standards are going to be higher. "Without showing my hand, it is going to be a different result."

Waking up to the secret of sleep

By Dr Michael McGannon

When you wake in the morning, you feel refreshed, bound out of bed ready for the new day, your energy unlimited. This is the way it is meant to be.

Chances are, however, that if you have a stressful job your sleep will be troubled. After a long day at work, you return home, exhausted, have a ritual nightcap, slide between the sheets, puff up the pillows and go off to sleep.

You wake suddenly, staring at the ceiling, aware of the light from the clock radio. You hesitate to check the time, but cannot resist: "2:30 AM". Then a voice in your mind starts to review the day's events: business negotiations, a cryptic medical report, financial worries and domestic problems.

To make matters worse, you start worrying that you are awake and begin to fret over whether you will able to cope the following day. This is the start of a vicious cycle of stressful days, followed by sleepless nights and more stressful days, leading at worst to a nervous breakdown. Where did you go wrong?

The source of the problem may be the way you perceive sleep. Many executives view sleep as a pause on the road to success, necessary to cool overheated engines, but sleep is much more than that. It is a creative period during which the mind deals with all the seeds you have digested during the day.

For decades, sleep experts have been using clinical signs and electrical waves emitted from the brain to discover the secret of sleep. They have found that a night's sleep consists of a cycle repeated four or five times during an eight-hour period. The cycles are made up of stages of increasing depth, each ending with a period of Rapid Eye Movement sleep during which muscles twitch, temperature and blood pressure fluctuate and dreams of glory and disaster buffet you.

In order to get your sleep cycle back on track there are some useful steps that can be taken.

BEFORE GOING TO BED

- Do not eat heavily or consume alcohol within 90 minutes of retiring.
- Do not go through your bank statements.
- Do not watch violent films.
- Do not discuss finances with your spouse.
- Do not consume coffee after 3pm.
- Do not dwell on anything likely to make you angry or sad.

All these give the body and mind too much to process while other matters should be tended to. The aim is to control events so that nothing worrying, alarming, or stimulating happens before you go to bed.

Instead, you should:

- Reserve your bed for rest.
- Decide that you are going to sleep well.
- Avoid alcohol and sleeping pills – they cut out REM sleep.
- Tire your body with exercise.
- Soothe your mind with things that have nothing to do with work, such as chess or TV.
- Have a hot bath.
- Drink warm milk with honey.

DURING THE NIGHT

- Do not become preoccupied with an occasional sleepless night, as these are perfectly normal. But to lose sleep over lost sleep is unnecessary.
- If sleeplessness persists, get out of bed, drink some warm milk, take a bath and read some Tolkien.
- Acknowledge the mental voice as it starts the litany of worries, but do not begin a conversation with it.

WHEN YOU GET UP

- Do not assume that you are unrested as you have not had the minimum sleep you need. How much is enough? It varies widely, but in general enough to sustain a daily energy level, commensurate with the demands of work and play.
- If nothing else works, consider a change of pace, or of surroundings.

The author is the medical director of the Insead Business Health course.

Low marks for slow learners

Anne Weinstock says trainees with special needs deserve more help

Few topics have exercised the minds of Training and Enterprise Councils quite so much as the training of people with "special" needs.

The Tec Operating Manual states that there should be no discrimination against people who cannot learn at the same rate as others.

Michael Howard, the employment secretary, insisted that Tecs define in their business plan the specific ways in which they would train disadvantaged groups. However, with little financial incentive, monitoring or evaluation systems, some question his real commitment.

The last two years have seen big reductions in Tec budgets, the notional idea being that employers invest more in training. However, the recession has decreased employer contributions for work experience placements.

The financing of Tecs is such that the higher the level of qualification attained, the greater the financial reward to the Tec. If Tecs do not meet their targets in terms of qualifications, they can lose 25 per cent of their budgets.

Not surprisingly, they concentrate on those who can reach the desired level in the shortest possible time and for the lowest possible price.

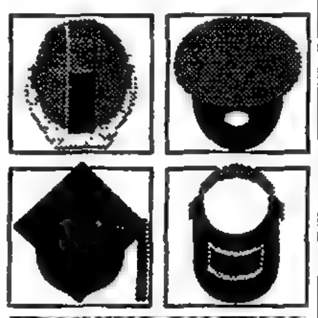
So what needs to change? We are constantly told that an adaptable and flexible workforce is the key to our future. It follows that our national training system must reflect these characteristics. We need to review the contradictions between the National Vocational Qualifications framework (which allows for recognition of individual achievement) and the funding structure of Tecs (which determines that achievement below a certain level of competence is failure).

There is a number of forward-looking Tecs which have introduced flexible training for people with special needs, despite having no financial incentive to do so. But we should not have to depend on their generosity. We should be building on what young people are capable of achieving from their own starting point, rewarding individual progress.

Many employers on Tec boards still believe that young people leaving school without even the basic skills of literacy and numeracy are not their "problem". It can and often does cost more to train people with "special" needs. But with the advent of a single Europe and a fall in the number of school leavers, a training framework to maximise the skills of all young people will become an economic imperative.

How long it will take those responsible for studying Tecs to realise this, remains to be seen.

The early evidence for the 1992-93 contracting round suggests that inequality of opportunity will continue to be the order of the day.



TRAINING ON TRIAL

The author is chief executive of The Rathbone Society, a national charity and voluntary organisation for people with learning difficulties. She is also a director of Manchester Tec.

BUSINESS AND THE ENVIRONMENT

IT is playing a bigger role as companies struggle to improve their green record, says **Peter Knight**

Numbers plucked out of the sky

Pressure on business to improve its environmental performance will increase the load on information systems and on the people who manage and design them.

This is because environmental management is largely about managing information. If a large company such as ICI, for example, were to take part in the EC's impending Eco-audit scheme, it would probably have to audit its 220 manufacturing sites in 40 countries and ensure that the results were accessible for inspection. This would place a heavy load on its existing information systems. It is still unclear, however, what specific tools will be needed for the job.

One of the messages from business and politicians is for companies to improve their environmental performance by conducting regular audits to measure progress. But these procedures are relatively new and there are no universally agreed standards, although the overriding emphasis is on the collection and systematic storage of information. There is also pressure to develop standards for environmental reporting to be included in the year-end accounts.

UK law is not yet as strong as that in the US which forces certain industries to publish precise information on emissions, in the Toxic Release Inventory. But it looks likely that EC legislation will eventually force member states to provide more information about industrial pollution.

Another demand for data will be driven by eco-labelling schemes for consumer products, which are planned by most developed countries, as well as the EC. To obtain a label companies will have to provide comprehensive information about their products and manufacturing processes.

Martin Houldin, environment specialist at management consultants KPMG, says much of the necessary information already exists within companies. "The challenge is to extract the data from various parts of the business, consolidate it and then present it to managers in an acceptable format," he says.

This process will, initially, demand the skills of an information manager who can understand the function of the information and who knows how the data is generated and where it is stored.

The UK government, for example, is looking for a consultancy to re-organise and expand its nationwide air monitoring system. The information is offered to scientists and the media for air quality reports.

The job of improving the system demands knowledge of the subject, experience with the technology and an ability to translate raw scientific data into a form which people can understand.

Roger Bagnall, environment products manager at International Business Machines, says most of a company's initial needs could be satisfied with existing software tools. "There is an obvious need for databases, document storage and retrieval systems, electronic mail and presentation software," he believes.

Suppliers of information technology see the environmental market divided in two. The most easily defined area is the fast-growing demand for specific software tools designed for the environment-services sector, such as air-flow models.

The other area, which is more general but still embryonic, will demand the expansion of existing information systems within companies.

But because environmental pressures have an impact on nearly every part of a business, the initial demand will be on providing better systems planning to prevent information bottlenecks from developing.

Many companies in the environmental services sector – including water and power utilities, waste managers, makers of pollution-prevention equipment, environment consultancies and government regulatory agencies – are rather behind in the development of computer systems. There are obvious opportunities here for IT suppliers to sell office systems and other well-established technologies.

Water companies are already providing a considerable market for IT suppliers. Severn Trent Water, for example, is building an automated monitoring and remote control system for its plants. The National Rivers Authority, the UK government's water agency, is setting up an automatic monitoring scheme in eastern England. The system has 12 monitoring stations covering 14 different stretches of river. The stations send information via telephone lines to a central computer system.

Electronic data interchange (EDI) systems, which also rely on telecommunications, should eventually find buyers among companies trying to reduce their environmental impact. These data communication systems, which are used to send electronic documents such as order forms between two or more companies, would improve the communications between waste managers, pollution inspectorates, local governments and water utilities.

Some manufacturing companies have already seen the potential to improve efficiency and reduce paper consumption by expanding their EDI systems. Start-rite shoes, a maker of children's shoes based in Norfolk, has expanded its EDI system to achieve more efficient delivery (less fumes and transport hazards) and to reduce the use of paper.

Most of the information which businesses require in order to take the first steps towards better environmental management will probably be found within the organisation.

There are many ways in which the IT industry could develop tools to make this task easier. An obvious parallel is with executive information systems (EIS) which tap into a number of sources, re-arrange the data and then present it in a digestible form to managers. The IT industry is starting to identify this need but it will be some time before it designs something comparable to an EIS for the environment.

Environmental software products now available are mostly technical tools designed for environmental consultants and manufacturers. These consist mainly of remote sensing devices, such as a sensor bolted to a chimney stack to measure emissions, feeding into data capture devices. They are all stand-alone devices so the IT manager's immediate task is to feed the information into the main system.

Environmental pressures are beginning to create opportunities for IT suppliers to sell existing products to companies, such as water utilities which have been traditionally light users of IT. This is an expansion of existing markets and requires little more effort on behalf of the supplier other than to identify a need.

Far more complex is the consultancy-based help that suppliers could offer IT managers in companies which have to consolidate information held in diffuse sources. The demand will be for information specialists who not only have a grasp of the technology but who can understand the nature of the environmental demands on the client's business.

There are also opportunities for IT companies to develop software tools to do specific and complex jobs, such as modeling and the visual presentation of complicated environmental data. These business areas already have been identified by companies such as Digital Equipment and IBM.

The primary demand on companies is to identify their needs for environmental information early enough to design the appropriate systems. One of the biggest threats is the development of independent systems which will be difficult to integrate into the mainstream.

Another potential difficulty lies in the human problem of ignoring early warnings signs, or hoping that the information needs will not be as heavy as predicted.

URBAN AIR POLLUTION

Greeks battle to defeat the 'nefos'

Kerin Hope finds the air in Athens stifling

On a warm, still morning the "nefos" or pollution cloud that plagues Athens is all too visible: a streaky, yellow haze masking the western suburbs and the sea.

The nefos first appeared in the early 1970s, after a steady migration to the capital by villagers and islanders triggered a speculative building boom that left little room for parks and gardens. For each Athenian there is only 2.5 sq metres of green space, the lowest in any European capital.

The warnings of a few prescient city planners, who called for large-scale planting of trees on barren hillsides around the city and construction of a network of ring roads, were ignored by successive governments. The result was a steady growth in atmospheric pollution levels.

The nefos is caused by temperature inversion, in which polluted air trapped between the sea and the mountains enclosing the Attica basin is prevented from escaping by the presence of a warmer layer above. After 36 hours without any wind, a severe pollution episode may ensue: admissions to hospital rise, people with respiratory problems are warned to stay indoors and the environment ministry imposes a traffic ban.

However, the composition of the nefos has changed over the years. From being a Third World cloud containing high levels of sulphur dioxide and smoke, it has become a California-style photochemical smog, rich in ozone and liable to spread over a wider area of the city.

Initial efforts to combat air pollution by reducing sulphur levels in petrol and domestic heating oil and curbing industrial emissions proved moderately successful. Meanwhile, the population of greater Athens stabilised at around 3.2m, while government investment incentives encouraged industries to relocate outside Attica.

But the number of cars and vans circulating in Athens rose from 175,000 in 1970 to 1.34m in 1991. Vehicle emissions are now held responsible for about 75 per cent of the air pollution.

A severe shortage of parking space adds to the problem. With over 40,000 cars parked illegally on an average weekday, traffic congestion worsens, increasing emissions of carbon monoxide, hydrocarbons and nitrogen dioxide.

For the past decade, half the city's cars have been banned from weekday driving in a 25 sq km central district, according to the final digit on their number-plate. Although the odd and even driving restrictions help to ease the traffic problem, they have only a small impact on pollution levels. Instead of using public transport, many Athenian families acquired an appropriately numbered second car, usually an elderly vehicle liable to emit thick, black exhaust fumes.

"Athens was becoming a graveyard for cars. The average age of the fleet was 11 years, compared with six for the rest of the EC. Only 7 per cent of it was being renewed annually, again a very low rate," said Nikos Patsatzis, an urban transport consultant.

The picture has changed in the past year, with the introduction of tax breaks for purchases of new cars equipped with catalytic converters, available to owners who turn in an old-technology vehicle.

Yet, the capital still lacks a co-ordinated long-term plan for coping with air pollution. City planners, epidemiologists or meteorologists are rarely consulted by environment ministry experts. Even the methods used to measure air-pollution levels around the city are not consistent from year to year.

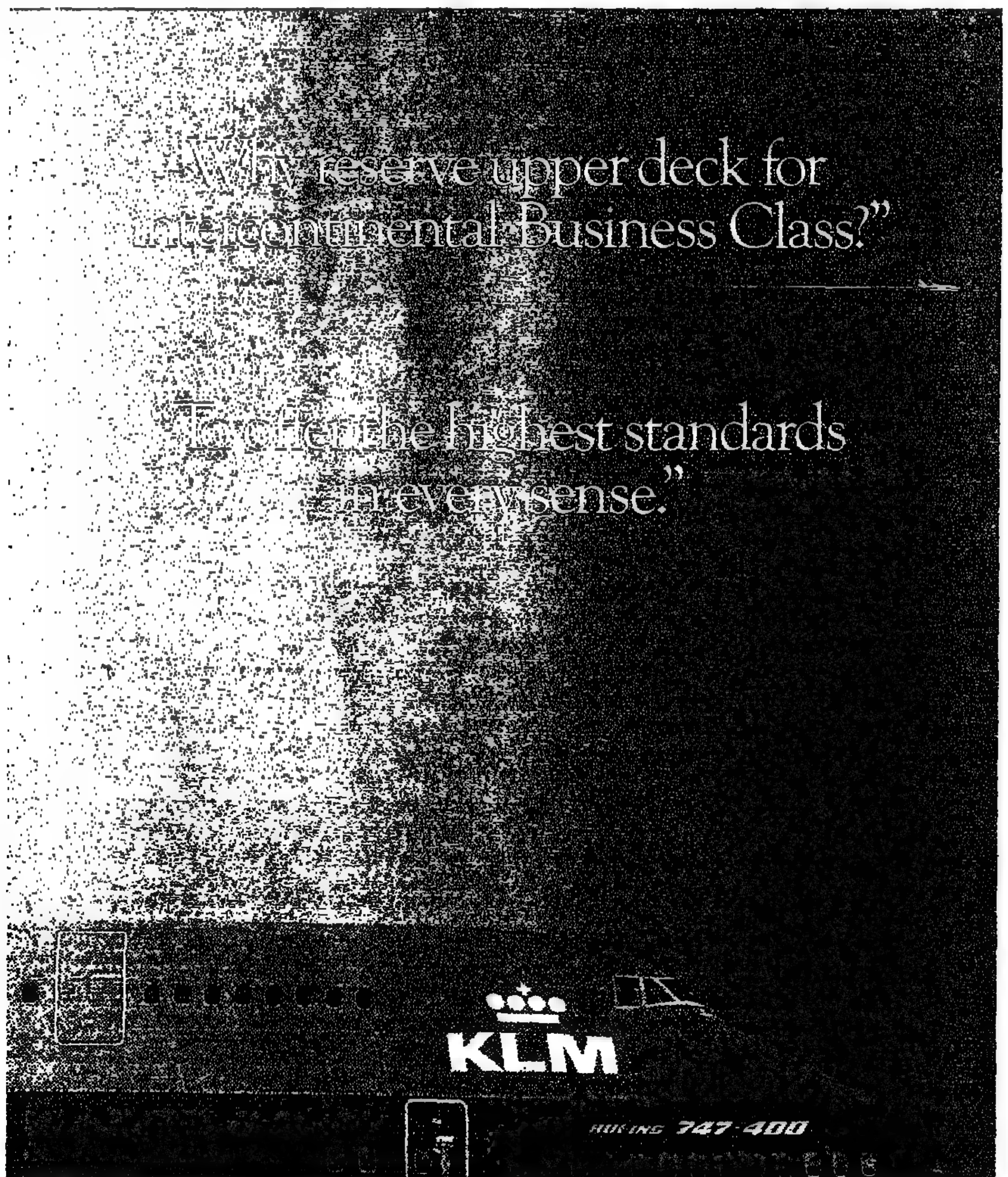
One development, a scheme to fit the bus fleet with Greek-designed smoke traps which eliminate more than 95 per cent of smoke and soot emissions, is being delayed. Although the devices have operated successfully on 100 buses for the past two years, the transport ministry says it cannot come up with Dr1bn (£3m) needed to equip the other 1,700 city buses.

Athenians blame the nefos for a host of ailments, from headaches and nausea to eye irritation and chest pains, and even inability to concentrate. But it is only in the past three years that epidemiological studies have managed to pinpoint a connection between pollution episodes and increased mortality rates, mainly among older people already suffering from respiratory complaints.

The government pins its hopes on eventually reducing pollution levels on two much-delayed projects, construction of an extension to the Athens underground system and of a pipeline to bring Russian natural gas to the capital.

The Dr 250bn Metro project will add two new lines crossing the city centre, which are expected to carry 350,000 passengers daily from 1997, many of whom now travel by car or taxi. The gas project should enable both households in the city centre and factories to stop using diesel fuel altogether after 1994. But only the most optimistic of Greeks believes the nefos will ever be dissipated.

Next week's article will focus on Los Angeles.



TELEVISION

Converts, cricket, comedy and soap

It took almost half the opening episode of Channel 4's *Food File* to work out why this new series, supposedly about diet, sounded so familiar: it was a religious programme. Now that real religion in this country has become a marginal affair (today's happy-clappy stuff seems to have little to do with faith and much to do with the universal need of a proportion of mankind for the rhythmical satisfaction of what anthropologists call "dance-and-drum") all sorts of single issue taboos are filling the vacuum. They tend to be linked to one or other of the seven deadly sins. The clean-up-TV campaign always used the phrase "sex-and-violence" but actually focused primarily on sex or, to use the s.d.s. term, lust.

Now *Food File* is going for gluttony as the way of scaring us into being good. In the opening programme sermons were delivered by those unto whom the way, the truth, and the life have been revealed, and they are offering to lead us into the paths of righteousness. Once again bread and wine loom large, provided they are respectively very hard and in rather small quantities, but it turns out that the stuff which fills the holy grail is . . . virgin olive oil. What seems to have happened is that a number of young people, represented by presenter Drew Smith, have just come across the fact, well known for the past half century, that some aspects of the southern Italian diet appear to promote good health. With the usual zeal of youthful converts they now want the entire British population to change its eating habits to fit in with this revelation. They are not going so far as to compare life expectancy in Britain and southern Italy, since that might ruin the entire series, but they are busy trying to convert the happy Dutton family and make them good.

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The cricket *World Cup* may be helping to sell satellite dishes, but it is doubtful whether it is improving the image either of the game or of BSkyB. In cricket, unlike soccer, say, or rugby, there is no difficulty in telling the two teams apart: the ones with the bats are on one side and everybody else is on the other. So it is a mystery why anyone thought it was necessary for cricketers to wear pierrot pyjamas in vivid colours. All-white clothing looks beautiful against a green pitch whereas canary yellow or sky blue with striped highlights looks garish and vulgar; sometimes literally more like a circus than cricket. As for Sky's reputation, they have surely done themselves a bad turn by repaying the BBC's willingness to sell edited highlights of Wimbledon with a refusal to sell edited highlights of this event, thus ensuring deep resentment among those viewers (still a large majority of the population) who don't have dishes. There have been early day motions condemning Sky's policy from both Labour and Conservative politicians, and MPs of all parties are now talking about the need for a list of protected events which could not be monopolised by a single broadcaster.

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On the other hand Sky's decision to screen Australia's new, explicitly sexy soap opera *Chances*, and America's new explicitly sexy dating game *Studs*, will probably help sell even more dishes. The clean-up people may make a lot of noise but there is no mistaking the fact that sex raises your ratings. Neither of these series could be called X-rated, but *Studs* goes well beyond the coyness and euphemism of *Blind Date* so that the men may be asked to guess "Which of you did the ladies say would be most likely to make love in the back of a car?" And when asked "What is the first thing you notice about girls' bodies?" Michael readily declares "Breasts!" which produces lots of whooping from the audience and laughter from the female contestants. There is norra lorra that on Cilla Black's prim little show. If you must have programmes of this sort then *Studs* is far more honest and amusing than the British version – and the American contestants are not required to deliver those embarrassingly over-rehearsed "jokes".

As for *Chances*, Episode 1 looks like seven parts *Neighbours*, two parts *Dallas* and one part *Valley Of The Dolls*. As in all Aussie soaps people say "Without further ado" and "I gotta hand it to yer, Digger" but the semi-nudity is tasteful enough to let it get by in Cheltenham. With terrestrial broadcasters so eager to kowtow to the Victorian hypocrisy which still dominates taste in Britain, such tiny moves towards more adult material will surely help dish sales.

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Of the three new comedies *The Big One* (Thursdays on Channel 4) is the most fashionable, *Mulberry* (Mondays on BBC1) the most likely to last, and *So Haunt Me* (Sundays on BBC1) the funniest. That is not to say that *So Haunt Me* is another *Fawlty Towers*: there no longer seem to be any writers with the self discipline, nor department heads with the willingness to impose the discipline, necessary for the creation of series as consistently funny as that. Still, I have several times found myself laughing out loud at events in Paul A. Mendelson's account of a family moving into a terraced house which is haunted by an extremely Jewish mother, played with relish by Miriam Karlin. *Mulberry* is the name of the general factotum played by Karl Howman (familiar from *Brush Strokes*) who is hired by the not-so-very batty old *grande-dame* Miss Farnaby, played by Geraldine McEwan. This is hardly the sort of stuff that makes you roll off the old green sofa, but there is foreseeable strength and mileage in the relationship, and I suspect some viewers will grow fond of this peculiar couple. The stars of *The Big One* are Mike McShane and Sandy Toksvig, another odd couple, he huge and she tiny, and yet another pair of alumni from *Whose Line Is It Anyway*. They have just opened with some success in *The Pocket Dream* in London's West End, and the television series has them sharing her horribly messy flat. Toksvig is one of the three funniest women on British television (the others being Victoria Wood and Dawn French) but although some of the lines in *The Big One* are amusing, the idea that an odd domestic pairing is in itself enough to support a comedy series has, surely, worn perilously thin.

*

Some aspects of Channel 4's book review programme, *Burning Books*, are admirable: they get through a fair number of books quite quickly, the reviewers mostly seem more concerned with the books than with proving how clever they are, and it makes a wonderful change to have two people dealing with a book and not to know which is the interviewer and which the interviewee. The form here is for two people to discuss the book across a table as equals. Other aspects, however, can be very irritating: the huge flames are distracting because they look downright dangerous, the chatter at other tables in the background is also distracting, and last week an American journalist was allowed to deliver her review to camera in a high pitched monotone which was virtually incomprehensible.

*

The willingness of broadcasters to co-operate with the spin doctors of the political parties is becoming embarrassing. One of the parties "launches" a poster – a poster, for goodness sake – and the news programmes dutifully send along reporters and camera teams to record the event, for all the world as though something significant was occurring. How long before the broadcasters are summoned to record the "launch" of a politician's new hairstyle? Before this election campaign there was talk of ITN behaving this time like proper adult journalists and treating everything on its merits, even if this meant that at the end of the day slightly more attention had been paid to one side than the other. The hope was that the BBC might then follow suit, but all the signs are that the broadcasters are as timid as ever. The stopwatches are running and airtime is being divided not according to news values but according to party entitlement. The idea that television journalists ought to follow the example set by their print predecessors 200 years ago and fight for their independence seems as distant as ever.

Christopher Dunkley

The stars in three new comedies, left to right: 'Mulberry' (the most likely to last), 'The Big One' (fashionable) and 'So Haunt Me' (the funniest)

The Crackwalker

GATE, NOTTING HILL

Theresa is fat, phlegmatic and plainly retarded. Not being retarded is Alan's sole asset; he shows meagre signs of growing up, has no skills, is prone to reliving his childhood nightmares and submerging them in drink. He worships Joe, a blustering lout who likes to beat up on his woman Sandy, especially when he's drunk, and that seems to turn her on more than anything else. Sandy is still just about pretty, but soured beyond hope. They all live in Kingston, Ontario.

The Junior Chamber of Commerce there must have been dismayed by Judith Thompson's first play, a dozen years ago. Since then she has won national awards for other pieces, and the strengths of *The Crackwalker* whet one's appetite to see them. The language here is faithfully, repetitiously foul, without any of the low-life "poetic" flights one feared. Yet these miserable, marginal characters reveal themselves in extra-lucid detail.

When Joe pulls up stakes to go West, Al sets up house with poor "Treeze" because she reminds him of the Madonna in school pictures. Treeze is happy to have her own Bay-bee Jesus, and her anxious social workers tell Al that he is a great father; but he declines into alcoholic paranoia, the baby proves sad and dim, and soon it meets a predictably horrid end. Sandy decamps to Calgary to continue her violent relations with Joe on a higher economic plane; she hopes Treeze will visit, one of these days.

For respectable Canadian audiences, *The Crackwalker* must have offered something like the nasty revelations of *Tobacco Road* 50 years ago in the US. Thompson's people have no history, and are neither rebellious nor disappointed – merely baffled losers in a marketplace where most people are managing much better. Each of them gets a direct-to-audience address, without milking for pathos, though Al's private horrors wrench the guts.

Robert Bowman plays him with defenceless honesty, from abject Joe-worship through proud, nervous fatherhood to disintegration, and he captures perfectly the plaintive rising inflections of small-city Canadian. Kathy Burke's Treeze is a serene, clinically exact study, touching and appalling as she totes her dead baby "to the graveyard" in a plastic toy-bag, placidly accepting the loss of a doll while looking around for a nice new boy-friend. Neil Dudgeon exposes vulnerable points in Joe's macho violence.

Their accents come near enough, which matters in this starkly demotic stuff. For Sandy, Kathryn Pogson's comes from nowhere and her style of twitchy, would-be-metropolitan poise comes from the wrong side of the Atlantic. There is a fifth character, a wrecked Canadian Indian even more marginalised than the others, whom Kennetch Charlette (a real-life Cree) represents as weirdly detached, benign and desperate.

The director James Macdonald keeps the action swift, unfussy and perfectly focused. Though the Gate's minuscule playing-area leaves a designer scant room to be clever, Ian MacNeil has contrived one flash of *trompe-l'oeil*.

David Murray

I vespri siciliani

OPERA DE NICE

Since Italy is not far down the road, the region only ceded to France in 1860, Nice may claim justification for doing in the Italian translation Verdi's first opera written wholly for Paris. A retrograde step, yet any competent staging of *Les Vêpres siciliennes* deserves attention. If it does not have the variety and epic sweep of the succeeding middle-period operas the score, with its electric energy, taut wires and cold steel, has a special fascination.

This production by Bruno Stefano was based on "an original idea" by Jean-Claude Auvray. Presumably this idea was to set the action not in the 13th century Palermo but in the fascist era with risorgimento undertones – Procida arrives from his journey wearing a long black cloak, carrying a leather holdall; the Duchess Elena first appears in a short skirt, but her wedding dress is based on the one worn by Sophie Cruvelli, who sang the role at the premiere in 1855. Since the librettist Scribe's version of history was cock-eyed, this need not matter much.

What did matter was that Hubert Monloup's sets and costumes, initially pleasing but trivialised by hints of mortality given by marble memorials, graveyard crosses and wreaths, made a cumulatively flimsy effect. Too parochial, not the shocks rippling outward into the world as they did after the historical event, but a local affair of a kind familiar in Sicily. Even so, little was implied of Palermo's oppressive combination of splendours and miseries.

The musical side under Christian Bades was commendable for a repertory production scheduled only for three performances – which means that there wasn't quite the tinder-dry crackling edge the music needs in the ensembles. The local chorus was augmented by a choir from Belgrade University. It was a pleasure to hear many unfamiliar voices. For pure vocalism, pride of place must go to the very talented young Chinese bass Dong-Jian Gong, who sang Procida with engaging ease. That he conveyed little more than cardboard patriotism was at least partly Scribe's fault for flattening out the character. The lovers were American. Frances Ginsberg as Elena phrased musically and warmly: the top of the voice was bright but lower down turned to reediness. The wedding bolero curdled. As Arrigo Allan Glassman displayed a glowing, resonant tenor.

The most satisfying portrait came from the French baritone René Massis in the rewarding role of Guy de Montfort, the Governor of Sicily who discovers that the insurgent Arrigo is his son. With his French timbre, not obviously a heroic Verdi baritone, his moulding of the long lines was as eloquent as it was skilful. In spite of his slight build Massis commanded the stage with effective, economical movements.

It is the fate of minor characters in many Verdi operas to remain confusingly anonymous figures, but on this occasion one stood out for his vigorous projection – Christophe Fel, strong and clear as Robert, the drunken French soldier whose insulting behaviour to Elena sets the train of events in motion.

Ronald Crichton

Manon Lescaut

LA SCALA, MILAN

Almost exactly a year after its triumphant premiere in Turin on February 1, 1893 Puccini's opera had a successful run of 19 performances. It was revived in 1909, then dropped until the historic Toscanini interpretation, first heard on December 26 1922 and repeated almost every season until 1929, the year of the conductor's resignation. After Toscanini's departure, productions become rarer; from the end of the First World War until a few days ago there had been only three.

So the new *Manon Lescaut* in Milan was eagerly anticipated. Actually, it was announced over two years ago, for the 1990-91 season, to be staged by Pierre Romans. But the production was postponed and, before he could mount the work, Romans died. Meanwhile, however, his collaborators Denis Fruchaud and Christian Gase had designed, respectively, costumes and sets; so the opera house found itself with the empty shell of a staging, but without someone to fill it with stage life. La Scala appealed to Jonathan Miller, who agreed to take over. It was a generous gesture: few producers with a reputation – and a distinct personality – like Miller's would have been willing to step into another's already defined place, renouncing *a priori* any thought of total control.

In the event Miller's hand was almost nowhere evident. In the first act, the chorus milled about as usual, acting like a chorus; the gamblers, stage left, looked at the conductor and not at their cards. There was no focus, no rapport among the singers, no feeling that anything significant – like falling in love, eloping – was taking place. In the second and third acts, the staging gained vitality, but still never ventured beyond the most predictable conventionality. What can be done with the fourth act? You imagine the producer saying to the singers: stagger for a while, then drop.

The Manon and the Des Grieux at La Scala staggered well beyond the call of duty, and the hero, towards the end, dropped carefully, teasingly just beyond the soprano's reach. I attended the second performance, for which Lorin Maazel's place on the podium had been taken by La Scala's house conductor Armando Gatto. According to reports, Maazel had been booed on opening night after a chilly reading. Gatto began as if he were trying to set a speed record, making the orchestra shrill and nasty. Later, he settled down to more acceptable tempos, but the sound never became seductive. And he allowed the singers to dawdle; rhythms became aleatory.

Gino Quilico and Nina Rautio

The matronly Nina Rautio has a warm, supple voice, with nothing youthful about it. She sang her second act aria with style and intelligence and, in her death scene, she was – finally – moving. Peter Dvorsky is a known quantity: big voice, ringing notes, no idea of pathos (his "Donna non vidi mai" was loud and assertive); but he is a presence. Gino Quilico's Lescaut supplied the elegance that was elsewhere missing; too bad Puccini didn't give him more to do.

The sets and costumes looked cheap. In the first act, the chorus all dressed in the same colour – the reddish beige of the set – draining the scene of precisely the quality it should have: variety. Geronte's mansion was barren, and the Le Havre harbour also seemed unnecessarily sombre. For the last act, a chalk cliff ran along one side of the stage: it made the singers look smaller, but still not moribund.

William Weaver

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BARCELONA

Gran Teatre del Liceu 21.00 Uwe Mund conducts Helmut Polixa's production of La traviata, with Stephanie Friede as Violetta. Also tomorrow, Sat and Sun (412 1466)
Palau de la Musica 21.00 St Petersburg Quartet plays string quartets by Haydn, Ravel and Tchaikovsky. Fri, Sat and Sun morning: Garcia Navarro conducts Barcelona City Orchestra. Sun evening: Sumi Jo sings Mozart arias (268 1000)

■ BERLIN

Schauspielhaus 20.00 Hartmut Haenchen conducts the CPE Bach Chamber Orchestra in arrangements of string quartets by Schubert and Beethoven. Tomorrow, Fri, Sat: Abbado conducts the Berlin Philharmonic (East Berlin 2090 2156)
Philharmonie Kammermusiksaal 20.00 Lukas Reinitzer conducts the Mecklenburg Chamber Orchestra in Beethoven's Triple Concerto and Mozart's Paris Symphony (West Berlin 2548 8232)
Deutsche Oper 18.00 Jiri Kout conducts Götz Friedrich's production of Tannhäuser, with Sabine Hass, Karan Armstrong, Rene Kollo and Matti Salminen. Tomorrow: Entführung (West Berlin 3410 249)

■ GOTHENBURG

Konserthus 19.30 Saulus Sondeckis conducts the Lithuanian Chamber Orchestra in music by Vivaldi, Bach, Bajoras and Rossini, with Tatiana Nikolaeva soloist in Shostakovich's First Piano Concerto. Tomorrow's programme includes music by Mozart, Haydn and Telemann (167000)

■ LEIPZIG

Opernhaus 19.30 Gunter Neuhold conducts first night of Nikolaus Lehnhoff's new production of Elektra, designed by Gottfried Pilz, with Deborah Polaski and Eva-Maria Bundschuh (also March 14, 17, 29). Fri: Uwe Scholz's production of Coppélia (7168 273). Tomorrow and Fri in Gewandhaus: Christoph von Dohnanyi conducts Webern, Bartók and Brahms (7132 252)

■ LONDON

Covent Garden 20.00 Song recital by Marilyn Horne, accompanied by Martin Katz. Tomorrow: Les Contes d'Hoffmann (071-240 1066)
Coliseum 19.30 James Holmes conducts David Pountney's ENO production of Street Scene, also Sat. Tomorrow: Il barbiere di Siviglia (071-836 3161)
Royal Festival Hall 19.30 Bernard Haitink conducts the Orchestra of the Royal Opera in Strauss' Four Last Songs (soloist Felicity Lott) and Alpine Symphony. Fri: Simon Rattle conducts music by Nielsen, Szymanowski and Ravel. Sun: Krystian Zimerman piano recital (071-928 8800)
Queen Elizabeth Hall 19.45 Howard Shelley conducts the London Mozart Players in music by Lennox Berkeley, Walton, Turnage and Bridge. Sat: Jack Brymer plays Mozart's Clarinet Quintet with the Medici Quartet. Sun: concert performance of Rossini's The Siege of Corinth (071-928 8800)
Barbican 19.45 Kenneth Sillito directs the Academy of St Martin in the Fields Chamber Ensemble in music by Vivaldi and others, with Michala Petri recorder soloist. Tomorrow: Colin Davis conducts the LSO (071-638 8891)

■ NEW YORK

THEATRE

● Conversations With My Father: Herb Gardner's play is set in a tavern in Lower Manhattan and focuses on a youth's coming of age and his struggle to communicate with his strong-willed father. Currently previewing, opens on March 22 (Royale, 242 West 45th St, 239 6200).
● The Substance of Fire: Jon Robin Baitz's play focuses on the struggle between an old world father and his American children for control of their troubled, family-owned publishing house (Mitzi E Newhouse Theater, Lincoln Center, 150 West 65th St, 239 6200).
● The Most Happy Fella: a revival of Frank Loesser's 1956 musical comedy, directed by Gerald Gutierrez (Booth Theater, 222 West 45th St, 239 6200).
● Lips Together, Teeth Apart: Terence McNally's play about the experiences of two married couples sharing a Fire Island beach house over a not so peaceful July 4 weekend. Directed by John Tillinger (Lucille Lortel Theater, 121 Christopher St, 239 6200)
● Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171)

JAZZ

Blue Note Four artists who have long been performing in the shadows of two American music legends step into the spotlight for this week's shows: Maceo Parker (alto sax), Fred Wesley (trombone) and Pee Wee Ellis (tenor sax), known collectively as J.B.Horns, began performing for James Brown in the 1960s, and are considered one of the most influential groups in the history of funk and rock music. Johnnie Johnson, for many years Chuck Berry's unsung piano player, is only now – at the age of 67 – coming into his own as a solo artist and bandleader. Showtimes 21.00 and 23.30 tonight, tomorrow and Sun, with an extra third show at 01.30 on Fri and Sat. Dining (475 8592)

MUSIC

Carnegie Hall 20.00 Piano recital by Maurizio Pollini. Fri: Waseda Symphony Orchestra. Sun: Eve Queler conducts Wagner's Rienzi (247 7800)
Metropolitan Opera 19.00 James Levine conducts Don Carlo. Tomorrow: Parsifal (362 6000)
Church of St Mary the Virgin 20.00 Peter Phillips directs the Tallis Scholars in music from Hispanic countries (145 West 46th Street)

■ PARIS

DANCE

Palais Garnier 19.30 Picasso et la Danse: opening night of an Opéra Ballet triple bill consisting of Bronislava Nijinska's Le Train Bleu, Roland Petit's Le Rendez-Vous and Leonide Massine's Le Tricorne. Daily till next Wed except Mon (4017 3535)
Théâtre de la Ville 20.30 Opening night of a two-week season by the Compagnie Philippe Genty, experimental dance theatre group. Daily except Mon till March 21 (4274 2277)

MUSIC

Opéra Bastille 20.00 Michael Schoenwandt conducts David Pountney's production of Elektra, with Gabriele Schnaut, Karen Huffstodt and Helga Dernesch, also Sat (4001 1616)
Salle Pleyel 20.30 Semyon Bychkov conducts the Orchestre de Paris in Schubert/Berio Rendering and Berlioz's Symphonie Fantastique, repeated tomorrow. Sat: Janowski conducts Götterdämmerung (4563 0796). Tomorrow in Châtelet: Kent Nagano conducts Varèse and Debussy (4028 2840)
● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ PRAGUE

CONCERTS

This evening at 19.30 in the Smetana Hall, Bohumil Kulinsky conducts the Prague Symphony Orchestra and Philharmonic Choir in a performance of Honegger's dramatic oratorio Jeanne d'Arc (u Prasne brany 2, 232 5858). Tomorrow and Fri, Jiri Belohlavek conducts the Czech Philharmonic Orchestra in symphonies by Mozart and Hindemith, with David Geringas soloist in Haydn's C major Cello Concerto (231 9164)

OPERA

The Estates Theatre has a new production of Le nozze di Figaro opening on Sun (repeated March 19 and 24). The National Theatre repertory includes La bohème on Fri, while the Smetana Theatre has Die Fledermaus tomorrow and Fri, Il trovatore on Sat and La traviata on Sun.
● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38, 228714) and theatre box offices.

■ STRASBOURG

Palais de la Musique 20.30 Michael Stern conducts the Strasbourg Philharmonic Orchestra in Barber's Essay No 1, Paganini's Fourth Violin Concerto (soloist Gidon Kremer) and Schumann's Third Symphony. Repeated tomorrow (8837 6777). Sat in Théâtre Municipal: Capriccio with a cast including Tom Krause and Siegfried Vogel (8875 4823)

■ ZURICH

Opernhaus 19.30 Nikolaus Harnoncourt conducts the Ponnelle production of Don Giovanni, with Ruggero Raimondi, Ann Murray, Cecilia Bartoli and Deon van der Walt, also Sat. Tomorrow: Ligeti's Le Grand Macabre. Sun: ballets by Bernd Roger Bienert (262 0909)
Tonhalle 19.30 Pinchas Steinberg conducts the Tonhalle Orchestra in Chopin's Second Piano Concerto (soloist Helen Sim) and Holst's The Planets. Fri: Kurt Nikkanen plays Paganini's First Violin Concerto (201 1580)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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A policy for dividends

THE 1992 dividend declaration season was always going to be difficult for UK shareholders. Big names such as Vickers, Royal Insurance, Lonrho and Midland Bank have already reduced their payouts to shareholders, often sharply. But just as remarkable is the fact that the likes of Barclays Bank, Commercial Union and Rolls-Royce have maintained, or even slightly increased, their dividends even though they have had to dip substantially into reserves.

Overall, the response of dividends to the recession has been slow. In 1991, dividends in aggregate increased by about 6 per cent while earnings fell by 10 per cent or more. As a result, average dividend cover has dropped to 1.8, which is significantly less than in the previous recession at the beginning of the 1980s.

The risk is that British companies will struggle unduly to maintain their payments, in ways which cause permanent financial damage. It is different in most other countries: in Germany, for example, dividends are moved up and down with much greater flexibility, while in Japan the level of payout is far lower.

There are several historical reasons for the propensity to pay high dividends in the UK. The imputation tax system introduced in the 1970s was designed to be neutral as between profit retention and distribution, eliminating the double taxation of dividends which still applies in the US. At the same time, persistent inflation has encouraged institutions and private investors alike to seek a high and rising income from equity portfolios, this being seen as safer than investing in fixed income bonds.

New twist

The increasing prominence of gross investors such as pension funds, and more recently private investors with personal equity plans, has added a new twist to this. Because such investors can claim back the 25 per cent tax on dividends, the overall tax borne by a company and its shareholders taken together in such cases is only 10½ per cent on dividends compared with 33 per cent on retained profits.

These sums do not make sense when dividends are uncovered and tax reserves have run out. But there is strong pressure on companies to keep paying out as long as possible, with the assurance that they will be able to call on shareholders later through rights issues to repair any damage to their balance sheets.

Last week, Rolls-Royce justified its decision to maintain the dividend by saying it reflected the long-term view that it took of its business. But this is not the traditional view of equity finance. The theory has been that shareholders accept much of the risk that supports the ability of companies to operate in volatile markets. If companies bear the risk themselves, and are prevailed upon to keep paying out unchanged dividends even in a recession, then the actual businesses may be endangered.

Short cycle

Within a short business cycle this may not matter very much. A profits recovery will soon restore the financial balance of a company. But the fear must be that in an extended downturn lasting several years, the adjustment of dividends to financial reality might be dangerously slow.

In the longer term, the structure of corporation tax may need to be re-examined, if it seems that far from being neutral, it involves a bias towards distribution. In an increasingly international market place, it would be unfortunate for British companies to suffer calls on their cash flow that do not exist in major competitor countries.

For the time being, public companies in the UK must keep their dividend policies under close review. It would make sense for them to develop and publicise long-term dividend policies which would be applied during the recovery as well as the downturn. All too often, dividends have appeared to be decided in an obscure way, largely on the passive basis of market expectations. It is about time that companies, albeit after discussions with their shareholders, took their own individual decisions about dividends.

Free trade for the Americas

NEGOTIATING a free trade agreement between the US, Mexico and Canada was never going to be easy. Concluding one at a time of economic recession in two of the countries involved and impending presidential elections in one of them is likely to be very difficult indeed.

Mr Brian Mulroney, the Canadian prime minister, brought his worries into the open a few days ago. In an interview with the FT, he said he doubted whether the US Congress would ratify the pact before this November's elections. His concerns are far from theoretical. Protectionist sentiment in general and special interest lobbying in particular are raising questions over Washington's commitment to the negotiations. More to the point, the existing free trade agreement between Canada and the US, negotiated four years ago, is itself coming under a shadow – thanks to moves by the US administration against Canadian exports.

Two weeks ago, the US Customs Service ruled that Honda cars assembled in Ontario fail to meet the 50 per cent North American-content threshold required for duty-free access to the US under the FTA. Then last Friday, the commerce department slapped a 14.5 per cent countervailing duty on allegedly subsidised Canadian lumber. Since these are Canada's two biggest exports to the US in a trade that amounts to C$200bn, it is scarcely surprising that Ottawa suspects Washington's motives, or that some Canadians favour pulling out of the agreement completely.

Warning signal

Canada will probably do no such thing. But since the Canada-US agreement is supposed to provide the framework for the more ambitious Nafta, the current dispute amounts to a warning for all the governments involved.

The US action against Canadian-made Honda Civics certainly seems arbitrary. It has taken the US customs service three years to issue guidelines on what counts as local content, whereas Canada published guidelines in 1988. Defining local content is a fraught business, but it is hard to escape the conclusion that the US administration is pandering to protectionist pressure from domestic carmakers. It is a similar story in the case of lumber.

All this is regrettable, but it is not a reason for the Canadians to despair. On the contrary, they should be using the current Nafta negotiations to eliminate the shortcomings in their existing agreement.

Mexico's President Salinas, for his part, would do well to take note of Ottawa's difficulties as he forces the pace towards an early Nafta agreement. He will need all the skill he can muster to resist US negotiating pressure; at worst he could find himself negotiating a bilateral deal with the US on unfavourable terms.

Political risks

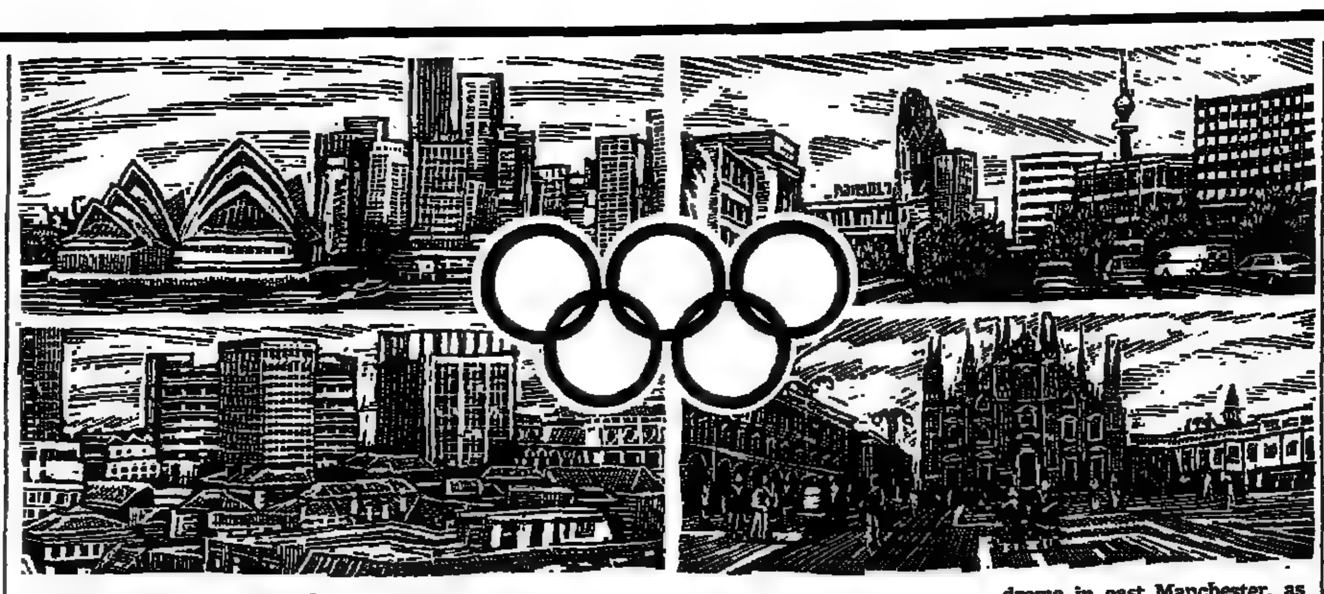
Free trade does entail political risks for all three governments. In Canada in particular the public blames a two-year recession on the existing FTA and Mr Mulroney, who faces elections next year, is currently perhaps the most unpopular leader in the democratic world.

Yet Nafta would have a beneficial overall effect on all three economies. For the US, it would give exports a much-needed fillip. One recent study predicted net gains in US-Mexico trade of $24bn a year by 1995, with more than 600,000 jobs created in Mexico and 130,000 in the US.

Significant obstacles remain to a deal. After two months of intensive negotiation disagreements persist over the pace of tariff reduction, rules of origin, banking services, trade in farm products, and oil. To these must be added pressure on President Bush to make special provision wherever there are job losses, and on the migration of "dirty industry" to Mexico.

None of these problems should be insuperable, however. For Mr Bush, far from causing political trouble, an early Nafta agreement might provide a much-needed pre-election coup. But that means dealing fairly with his northern neighbour as well as his southern one.

Budget leaders, page 10



FT writers on the race to stage the 2000 Olympics

All eyes on the prize

For four international cities limbering up in the race to stage the 2000 Olympic games, the coming marathon will be a test of organisation as well as of endurance, with much gold awaiting the winner. The International Olympic Committee will decide the venue in September next year. Already, the four contestants – Berlin, Manchester, Sydney and Milan – are moving into the starting blocks.

Beijing has also put in a bid. But, hampered by memories of the 1989 Tiananmen Square massacre, it is already regarded as an also-ran.

The cities are gearing up for a widespread marketing effort. There are intriguing national differences in the styles of their campaigns. Berlin's candidature is designed to symbolise the new face of a reunited Germany. Mr Heiner Giersberg, spokesman of the Berlin 2000 Olympic games office, calls the proposal "Chancellor Kohl's personal baby".

Manchester is supported by lthe dashing figure of the Duke of Westminster, Britain's richest landowner, who heads the city's Olympic committee. He runs his Grosvenor Estates land and property empire from neighbouring Cheshire. With an eye on the general election and the number of marginal constituencies in north-west England, Mr John Major, the sports-loving prime minister, has given the Mancunian initiative his personal backing – as well as a large infusion of government money.

Sydney, which hopes to bring the Olympics to the southern hemisphere for the first time since the Melbourne games in 1956, is banking on its scenic setting as well as its well-established facilities. Yachting in Sydney Harbour, in sight of the Harbour Bridge and Opera House, would be one of the most spectacular of all Olympic events.

According to Mr Rod McGeoch, chief executive of Sydney Olympic 2000, the private company running the bid, ambiance is vital. "I don't think you can hope to win the Olympic games unless you can demonstrate that the athletes will have an excellent time."

True to form in a country where the turf for the 1990 World Cup was not laid until days before the soccer started, Milan is taking a more languid approach. Italy's commercial and financial capital is stressing its reputation as an international business centre and its independence from Rome. Experience with the World Cup is likely to be one of the few strong cards in Milan's hand. Despite all the tantrums about unfinished stadiums and incomplete roads, "Italia 90" went remarkably smoothly.

"We produced a fabulous stadium," says Mr Roberto Caputo, the city councillor for sport, whose department is responsible for the Olympic project. He adds, a little lamely: "We have a strong sporting tradition, with two famous football teams."

Selling cities as Olympic capitals involves large financial outlays. In Australia, Mr McGeoch, a prominent Sydney lawyer and amateur sportsman, is being paid more than A$150,000 a year (£65,000) to run the bid, on which planning started in December 1990. Olympic 2000 has a budget of A$20m, underwritten by the state government of New South Wales. Sydney's backers believe the city's biggest drawback is Australia's geographic position, which would make it expensive to reach, particularly for competitors from Europe and large parts of the Third World. Sydney is in a time zone where Europeans would have to stay up all night to watch events live on television. But morning events would be prime-time evening viewing in the US, which accounts for 70 per cent of television revenue for the games.

'You can't hope to win unless you can demonstrate that the athletes will have an excellent time'

Olympic 2000 says the games would generate about A$1.1bn (£470m) in ticket sales, licensing and other revenue, compared with expenses of about A$1bn. Any shortfall would be covered by the state government, which believes the Olympics would create 27,000 construction projects, and generate economic activity worth up to A$10bn.

The Berliners, meanwhile, are putting forward significantly larger figures for their city's potential outlays. Compared with Sydney, there is also more money attached to the job of chief Olympic promoter. Mr Axel Nawrocki, the head of Berlin's Olympic games office, was hired from the Treuhand privatisation agency on an annual salary of DM360,000 (£125,000).

The Olympics proposal links the two halves of the city. The decision to seek the prize was one of the first moves by the previously separate city administrations of East and West Berlin not long after the wall fell in November 1989. Berlin's backers believe that the Olympics would cost roughly DM2bn and earn DM4bn. For Berlin, one of the largest expenses will be the Olympia Express, an 18km-long rapid transit system costing an estimated DM400m and linking the Olympic sites at Lake Rummelsburg in east Berlin with the Olympic village at Ruhleben in west Berlin. It will run parallel to the S-Bahn overground railway, and will be used after the games, limiting the cost to the organisers.

Like Berlin, Manchester is using its campaign to stress the city's quest for renewal after a period of fraught recent history. The driving force behind the Mancunian campaign is Mr Bob Scott, the Somerset-born dynamo behind the city's commercial theatre revival in the past 10 years. Mr Scott says that, if Manchester is to swing the games its way, the IOC will want to see "deeds not dreams".

A Manchester Olympics would cost about £1bn, says Mr Scott, of which a third would come from the government. Earlier this month Whitehall committed an overall £55m to help. Most of it is earmarked for building an indoor arena near Manchester's city-centre Victoria Station and a velodrome in east Manchester, as well as for clearing the site where the £170m Olympic stadium is planned.

Milan estimates a cheaper price tag of about L1,500bn (£690m). "The bulk" of this will have to come from outside, says Mr Caputo. He is looking for commercial sponsorship, not for subsidies from the Italian government. Milan is stressing the importance of cutting costs, and of limiting the environmental impact of the new facilities. "The priority is not to become submerged in a sea of cement nor to inundate the city with more traffic," Mr Caputo says.

Milan's qualms over construction underline that an important factor determining the choice of Olympic venue will be the efficiency of planning. A key element behind Berlin's proposal is that only four sports halls need to be built, all in east Berlin. The largest multi-purpose Berlin sporting facility, Olympia Hall, will have a capacity of 15,000 and is to be financed by private investors at about DM1.1bn-DM1.6bn. Sydney's backers say up to 70 per cent of the sporting facilities will be in place by the time the IOC votes in September 1993. The government has advanced A$300m to finance an aquatic centre and two athletics stadiums. The most costly element in Manchester's £1bn total, meanwhile, would be the £400m Olympic village, which would be used as housing afterwards.

As they prepare to make their decision, IOC officials will not simply be besieged with plans for new facilities; they will also see some infrastructure of a more traditional variety. Berlin's stadium built for the 1936 games is to be refurbished and used for the opening ceremonies and other events. Manchester will show off Lancashire's Old Trafford cricket ground, where baseball would be staged.

As far as lobbying is concerned, Australia's, at least, look likely to be spartan. Sydney's Mr McGeoch rules out the ritzy public relations used by past contenders. "I have never taken anybody to lunch to get their business. I want to be able to say to the IOC: 'Come to us and you will get the Olympic ideal.'"

The cities have 18 months to show they can satisfy that tradition. The contest is under way to capture the Olympian mood of the millennium.

Reporting by: David Marsh (London), Kevin Brown (Sydney), Leslie Colitt (Berlin), Ian Hamilton Fazey (Manchester), Haig Simonian (Milan)

BOOK REVIEW

Wrong lessons from the past

THE END OF HISTORY AND THE LAST MAN
By Francis Fukuyama
Hamish Hamilton, £20

Businessmen proverbially do not have time to read books. To gratify them, Francis Fukuyama announced three years ago that history had ended – in a short journal article. He was then an unknown US State Department official. Yet the collapse of communism gave the argument a journalistic appeal, and that bald statement, cased in no more than the outline of an argument, attracted international attention.

Fukuyama has now expanded the end of history to book length. But you can stick to the article. The argument is little advanced – just 300 pages longer, padded out with Fukuyama's musings on a future without history and his debts to Plato and Hegel – or more precisely, the interpretation of Hegel by Alexandre Kojève, an inter-war French-Russian philosopher.

The argument is simple enough. Events will continue to happen; in that sense, history has a future. But as a struggle between rival ideas on how to organise society, economy and government, the age-long debate is over. Western-style capitalist, liberal democracy has swept all before it, whether marxism and communism on the left, or theocracy and authoritarianism on the right.

Multi-party democracies, the rule of law and bills of rights may not yet be universal, but ignore Islamic fundamentalism and the like: "liberal democracy remains the only coherent political aspiration that spans different regions and cultures across the globe".

All of which is underpinned by an appeal to Hegel's "cunning of reason": the German philosopher's dialectic which supposes that history is proceeding through a continual process of conflict on the road to human freedom, with each bout of conflict resulting in a less contradictory system – leading, ultimately, to the perfect régime. It is universal history – "nothing other than man's progressive rise to full rationality, and to a self-conscious awareness of how that rationality expresses itself in liberal self-government".

In case all that sounds a bit high-flown to our businessman, Fukuyama includes a solitary table. It lists "liberal democracies worldwide" at intervals from 1790 (when there were three) to 1900 (13), 1960 (36), ending in 1990, when the collapse of the Berlin Wall and the eastern bloc, plus less dramatic events in South America, took the figure to 61. Thus is the onward march of the ballot box plotted, and liberal democracy shown to have broken out of its original beachheads of western Europe and North America, spreading around the globe.

Leaving Hegel to one side, the table alone gives pause enough for questioning Fukuyama's universal history. In the first place, it features only two countries with an unbroken "liberal democratic" record going back two centuries – not an unduly exacting test of the ability of the species to dominate the next few thousand years. Those two are Switzerland and the US. Go back even to 1900, and the number rises to a mere five. Fukuyama's powers of extrapolation are impressive: plot his more recent numbers on a graph, and North Korea, Iraq, even China, must have liberal democracy around the corner.

But what, exactly, are they about to confront? Examine Fukuyama's list a bit more closely. In the 1990 column, the US, Britain, Germany and France are closely followed by Romania, South Korea, Honduras and Singapore. If all those are "liberal democracies", then liberalism and democracy are fairly elastic beasts. Yet Fukuyama treats the two as if they were stock animals: either you are one, or you are not, and if you are, then the age of political conflict is over – unless you relapse, a possibility that he allows for but never properly explains.

If only liberal democracies came so pre-packaged and conflict-free. In reality, conflict is as endemic within many as it is absent from a few of those régimes which should be warming to the democratic dawn. Democracies evolve and degenerate; they can be overthrown; they are under constant stress – not only from left, right and nationalists across the spectrum, but from environmental pressures which could prove as destabilising as the first three.

Moreover, democracies take such a myriad of forms, with such profound differences, that to characterise them as a single type of polity is about as meaningful as to throw all systems of supernatural belief in the box "religion". Yet Fukuyama rarely penetrates beneath such airy generalisations. "Democracy can never enter through the back door," he tells us: "at a certain point it must arise out of a deliberate political decision to establish democracy". Try that on a serious British historian.

Fukuyama does, at least, tackle some of those countries which are not remotely near his "liberal democracy" box. In the west, religious fundamentalism and nationalism have often been catalysts for democracy; so he is confident they will prove so elsewhere. Perhaps; perhaps not. It would be nice to think so – so buy this book for that rainy day when business is bad and you need reassuring that capitalism, democracy and liberalism are indeed forever.

Andrew Adonis

OBSERVER

Lamont the lugubrious

■ Whatever the result of the general election, Norman Lamont will go down as the man who abolished the budget. It seems unlikely, however, that he will continue as chancellor even if the Conservatives win. Something has happened to this normally engaging man that suggests he has become bogged down in Treasury detail.

Perhaps precisely because it was the last traditional budget but one that he read the greater part of his speech in such a lugubrious tone. In the sections on tax on company cars and monthly Vat returns, he seemed visibly bored. It was 54 minutes before he made his first joke, and even that was a rather feeble one about Benjamin Franklin saying that nothing was certain except death and taxes.

He referred to the married couple's allowance as the mca or "male chauvinist allowance" and made one ringing statement: "I will not accept any deal in Brussels that would ride roughshod over the interests of the British cider industry." For the rest, however, he seemed prepared to accept the Treasury prose as it came. The official text actually bears the word "peroration" before the final few paragraphs, and always has: it was not a peroration written by a politician.

The next Tory chancellor needs to look less gloomy, which rules out quite a lot of the men sitting alongside Lamont yesterday. The Labour front bench, with its liberal sprinkling of women, looked much more attractive.

Synd-icated

■ Beset by criticism from all quarters, Lloyd's of London can ill-afford to score own goals. Yet this appears to be what has happened with the precipitate release of figures showing the the proportion of working and outside Names on all syndicates in the insurance market.

The figures were released by the chairman, David Coleridge, last week with the intention of casting light on to allegations that market insiders have benefited to the detriment of outside Names.

Now, though, it appears they are incomplete.

Produced by the solvency and reporting department at Lloyd's Corporation, the statistics effectively ignore 771 Names who resigned during 1986 and 1987 and more than 1,280 Names who have died over the six-year period covered.

Lloyd's is moving quickly to rectify the error – its membership department yesterday prepared a set of more accurate statistics – but is anxious to stress that the mistake was "a cock-up rather than a cover-up".

Prone position

■ Understandably, Britain's big drinks companies are always nervous about what will happen to them on budget day.

But for Allied-Lyons it seems to be a particularly accident-prone day. Last year, it reported a £147m foreign exchange loss and lost its finance director. This year the planned merger of its UK brewing operations with Carlsberg was referred to the Monopolies and Mergers Commission.

Tec-chy

■ Who's afraid of the pollsters? Answer: Michael Howard, Britain's Employment Secretary.

Although his press office has spent some days denying the fact, it turns out that Howard took time off from brawling with Labour's Jack Cunningham on the radio last week to try to scupper an FT poll on attitudes to training.

"I don't feel as bribed as I should do"

To be precise, the FT has been asking directors of the Training and Enterprise Councils, which Howard set up, how they think they are doing and whether Labour would be good or bad for the training system.

Howard's response was to telephone business executives on G10, the group which liaises between Whitehall and the Tecs.

According to a memorandum sent by Tom Booth, G10 representative for the north west to the 14 Tecs he represents, Howard said some questions were political in nature and offered a crude reminder of the Tecs' "non-political status". No mention was made of the much touted independence of the Tecs.

Booth's response was to warn his fellow Tec directors to consider carefully whether they should answer any questions (or the whole questionnaire) which could be deemed to be "politically sensitive".

Unfortunately for Howard, over a third of all Tec directors canvassed, including Booth, have already returned their forms.

We'll be glad to pass on their views to Howard on the Tecs' structure, purpose and funding in due course. "Frankly, I don't like being told what to do by the Secretary of State," says one aggrieved Tec director. "If I'd had any reservations about filling in the form before, which I did not, this instruction would have driven me to fill it in straight away."

History repeats?

■ If the US Presidential election does boil down to a Bush/Clinton contest, then it will have strange echoes of the contest of 1884.

The Republican candidate's surname then began with B – James Blaine. He came from Maine (one of Bush's many home states) and doubts were expressed about his veracity, rather like Pat Buchanan's forceful denunciation of Bush for reneging on his "Read my lips. No new taxes." statement. The jingle of the time was "Blaine, Blaine, We gave him a pain, The continental liar from the state of Maine."

The Democratic candidate also coincided; his surname started with the letters Cl – Grover Cleveland – and he was dogged by sexual scandal. After admitting to fathering an illegitimate child, the opposition jingle was "Ma! Ma!, Where's my Pa?, Gone to the White House, Ha! Ha! Ha!."

Those who believe in omens will want to know that Cleveland won.

Safe landing

■ The InterCity 125 heading for London last week went slower and slower, and finally stopped. A voice came over the intercom: "Good morning, ladies and gentlemen, this is your senior conductor speaking. First, the bad news. Both engines have failed.

"The good news is that you are not in a Boeing 767."

LETTERS

Silent enemy may be a paper tiger

From I J Hunt.

Sir, I read with interest your article 'Silent enemy poised for attack' (March 5) which discussed the potential threat that US warehouse clubs pose to UK retailers, and agree with much of your argument.

While not wishing to be dismissive of a formula that has been so successful in the US, it seems appropriate to put the threat into context from the point of view of the UK supermarket retailer.

In a typical US warehouse club, about 40-50 per cent of sales are in product categories offered by a large UK supermarket.

Of this, US market research suggests that only 35-40 per cent is sold to the general public, while the rest is sold on a wholesale basis to small retailers and caterers.

Assuming that a UK warehouse club had a sales pattern similar to that in the US, for every £1m of sales made by the warehouse club store about £200,000 could be at the expense of the supermarkets.

In the US, warehouse clubs currently have sales of about $1m (£600,000) per week per store. Even if they were to increase this to £1m in the UK, the total impact that each new warehouse club could have on local food retailers would be less than half that which is currently experienced from a new superstore.

Your article states that Goldman Sachs sees scope for only 30 warehouse clubs in the UK, with total sales of £2bn, giving a rather ambitious £1.3m per store per week. To put this into perspective, it implies that warehouse clubs will achieve a market share of only about one half of one per cent of the market in which food retailers such as Sainsbury's operate.

I J Hunt,
director of marketing services,
J Sainsbury,
Stamford House,
Stamford Street,
London SE1 9LL

Distress of Maxwell pensions episode has given rise to an unexpected and beneficial side effect

From Mr Norman Freethy.

Sir, Leaving aside the depredations perpetrated by the late Mr Robert Maxwell on his pensioners, his untimely demise has done more to advertise the merits of pension schemes than any less tragic event or advertising campaign might have done. As they say, it's an ill wind. . .

Public opinion, like stockmarkets, always overreacts. Understandable, then, are the proposals attributed to MPs and outlined last week ('Pension fund trustees face stiff rules', March 4). These advocated sweeping changes in pension law, that trustees should to be subject to the same strict rules as company directors, the remit of the Occupational Pensions Board should be substantially extended, and more. In the main, these are "stable door" measures.

Frauds with pension funds are rare because in the main the legal system has worked well.

Mr Maxwell contrived to control the company, its pension fund, and the in-house investment manager, inhibiting any employee who valued his job from speaking against him. That argues not so much against the system as in favour of ingenuity of the individual. The best way to frustrate another budding Maxwell is to aim in advance at preventing such a specific set of circumstances arising.

There is much to be said for pension funds being legally bound to have an independent trustee responsible to the authorities, with powers to act in advance of any suspicious event. Indeed, a prototype already exists in the form of pensioner trustees, a mandatory requirement for controlling directors' own self-administered pension schemes, answerable to the Inland Revenue directly and included in a register maintained by them.

For larger pension schemes a similar register of independent trustees could be kept, maintained perhaps by the Occupational Pensions Board to whom the Independent Trustee is made accountable. The OPB could be obliged to freeze the assets of any pension fund immediately, as soon as an independent trustee, suspicious of what is going on, requires them to do so.

I suggest this approach is likely to be more effective and infinitely less expensive than the suggestions for increased control currently being promoted by the media (and, we are now told, by parliament), which are likely to be no more effective than Imro apparently was.

Norman Freethy,
Hymans Robertson & Co,
190 Fleet Street,
London EC4A 2AH

Translation of expenses marks the real life policy progress

From D R Linnell.

Sir, It is always a pity to spoil a good story. However, your article yesterday on SIB's proposals for disclosing life assurance companies' expenses, ('SIB bows to life companies' lobbying', March 5) is well wide of the mark.

Expense figures which enable customers and commentators to make effective comparisons between products and between companies have been available for some time. SIB's proposals involve making these more easily understood and more readily available, and we support these moves.

Indeed, we would be delighted if these proposals were also to be applied to the products offered by banks and building societies, so that consumers could make better-informed comparisons across the whole range of products on offer.

D R Linnell,
group compliance officer,
Prudential Corporation,
1 Stephen Street,
London W1P 2AP

Costly water mishap points to advantage of indoor meters

From Mr J D Graham.

Sir, With reference to your article 'Most customers find water metering satisfactory in trials' (March 3): I would point out that there is a problem with the metering of water if the meter is, as in this district, near the road, and not in the house.

I had the misfortune that the main from the meter to the house leaked for some four months and, being buried and invisible, nobody knew. The courtesy of the South West Water Company excused me from having to pay a large part of the cost, which would have been more than £2,000. I would suggest that serious consideration should be given to mounting water meters in the premises.

John Graham,
Quarry House,
Heath Road,
Brixham,
Devon TQ5 9AU

Urging BR to bite on bullet

From Mr A. MacLean Watt.

Sir, In 1901, Japan was described by a foreign observer as "the land of approximate time". Another writer noted that in 1907 "their modern trains do well if they maintain an average of 20 mph over a short distance". This is the country of today's bullet trains, where commuter and long-distance trains can be relied on to depart on time, almost to the second. British Rail, take heart! The past, or even the present, need not be an indicator of the future.

Andrew MacLean Watt,
Watt International,
Gosei Building,
Minami-Azabu 5-16-7,
Minato-ku,
Tokyo 106

Trident submarine's operating terms deserve closer scrutiny

From R M Bale.

Sir, With some 20 years in the shipping industry, I am not aware of any civilian ship operator who has the budgets available to keep one ship in harbour and one at sea, let alone who requires three ships in the harbour to maintain one at sea at all times ('Naval chief backs fourth Trident sub', March 6).

Ferry companies which operate in all weathers have no reserve ferries in their peak season and even companies operating vessels at the cutting edge of technology, Sealink's Wavepiercers for example, do not have spares.

It appears that one or more of the following possibilities applies:

- The design of Trident is at fault, resulting in breakdowns.
- Management and/or crewing arrangements have not moved with the times.
- The decision to contemplate purchase of a fourth Trident at a time of reduced demand is motivated by factors other than operational.

Perhaps the time has come for the government to contemplate civilian management of the navy, leaving solely strategy and war to the admirals.

R M Bale,
Rocque Berg,
St Clement,
Jersey,
Channel Islands,
JE2 6SD

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

PERSONAL VIEW

Brussels should be brave over Yugoslavia dilemma

By John Zametica

Recent events in Sarajevo have demonstrated only too sharply that Yugoslavia is far from pacified. It is still possible, even likely, that Bosnia-Herzegovina will collapse into chaos and violence, resulting in a complex territorial fragmentation along ethnic and religious lines. The analogy of Lebanon, so often cited during the Yugoslav conflict, would unfortunately be appropriate.

The wider and immediate implication of any conflict in Bosnia-Herzegovina is that probably it would postpone the deployment of UN peacekeeping troops in Croatia. This in turn could lead to a renewed round of fighting between Serbs and Croats. The government in the Croatian capital of Zagreb has in any case never been happy about the arrival of the UN, fearing that the Serbian enclaves could, through Serbian manipulation on the international scene, remain indefinitely outside Croatian sovereignty. The most recent opinion polls from Croatia indicate that the majority of Croats anticipate precisely such an outcome. Another war in Croatia would thus constitute not an extension of diplomacy, but its prevention. Then what?

The problems do not stop there. With the exception of Slovenia, all the perplexing, threatening elements in the Yugoslav quandary are still in place: apart from the unresolved status of the Serbs of Croatia, there is the constitutional issue about the political balance between Moslems, Serbs and Croats in Bosnia-Herzegovina; the separatist Moslem region of Sandzak in Serbia, next to Bosnia-Herzegovina; the unruly province of Kosovo, with its 2m ethnic Albanians in Macedonia; the Serbian-Macedonian border issue; the increasingly vocal Hungarian minority in Vojvodina, northern Serbia.

There are also at least a dozen more esoteric issues and two big ones: the desperate economic situation in all six Yugoslav republics, and the growing likelihood of a civil war in Serbia itself between the left and right. Even if the Croatia problem is resolved, the rest of the country will still keep the international community preoccupied for some time.

Yet the international community has not even begun to address the central question in Yugoslavia: what is a minority and what is a nation? For this has been at the very heart of the manifold Yugoslav crisis. The Serbs of Croatia see themselves as a nation, not a minority. They invoked the principle of self-determination which clashed with the principle of the sovereignty of the (Croatian) state. The ethnic Albanians in Kosovo similarly argue that they are not a minority, as do the Moslems of Sandzak. In Bosnia-Herzegovina, the Serbs do not wish to become a minority in an independent, Moslem-dominated state. But the Moslems there have no desire to become a minority in a rump Yugoslavia. Everybody wants self-determination. But who is entitled to it?

The EC, which rapidly took over the management of the conflict in Yugoslavia from the hopelessly ill-equipped Conference on Security and Co-operation in Europe (and now probably wishes it had not done so), deliberately steered clear of this political minefield. Last November the Republic of Serbia sent a carefully formulated question to Lord Carrington, the chairman of the EC-sponsored peace conference on Yugoslavia: "Who can be the subject of the right to self-determination from the standpoint of international public law – a nation or a federal unit; is the right to self-determination a subjective collective right or the right of a territory?"

The question, of course, covered only Croatia and Bosnia-Herzegovina, and it was designed to advance Serbian objectives. But it was nevertheless, in the Yugoslav context, exactly the right question to ask because it begged the nation-minority definition.

Lord Carrington passed on the Serbian inquiry to the arbitration commission attached to the peace conference, but the latter received an altered version of the same question: "Does the Serbian population in Croatia and Bosnia-Herzegovina, as one of the constituent peoples of Yugoslavia, have the right to self-determination?" Mr Robert Badinter, the French chairman of the arbitration commission, considered even this far too tricky and sidestepped the whole matter by replying that the Serbs in Croatia and Bosnia-Herzegovina were under international law entitled to protection as minorities. If everybody claims nationhood, the safest course is to declare everybody a minority.

The EC, in its wisdom, went on to extend diplomatic recognition to Croatia, which only increased the resolve of the Serbs in that republic to resist the status of a minority and secede. The fact that the ceasefire held at the time of the recognition had nothing to do with the recognition itself: the ceasefire held, and still does, because Serbia knew only too well that the presence of UN troops would deny the exercise of Croatian sovereignty in the Serbian enclaves and perhaps, in the long term, detach them altogether. The whole issue of recognition was, at any rate, badly mismanaged by the EC, which eventually succumbed to German pressure, itself a result of domestic opinion driven by sentiment.

How will the EC cope with a battery of unresolved problems elsewhere in Yugoslavia? Clearly, it is not interested in, and fears to pontificate on, the implications of self-determination – it is much easier to sound righteous and say that the internal frontiers of Yugoslavia are inviolable and can only be changed by agreement, not force.

But force has been used, and it will probably be used again. Unwittingly, the EC has now, for example, committed itself to a status quo in Kosovo. If the Serbs of Croatia are a minority, and if the principle of the inviolability of the frontiers is to be respected, then the ethnic Albanians are also a minority and they too should stay where they are, as should the Moslems of Sandzak and all three nations in Bosnia-Herzegovina. This assumes, of course, that these people will be happy to observe the laws laid down by the EC.

The EC did not, except in Slovenia, recognise reality. It dropped the hot potato of self-determination in favour of Tito's frontiers within Yugoslavia. It is just possible that those frontiers will be his only lasting legacy. But it does not seem likely or even desirable. If and when the EC is confronted by a renewed cycle of violence in Yugoslavia, it may wish to consider that brave decisions can also be pragmatic ones.

The author is a research associate at the International Institute for Strategic Studies

Edward Mortimer

Refugees and wasted revenues

FOREIGN AFFAIRS

Western countries are unable to disentangle policy towards asylum seekers and immigrants

Immigration and asylum policy should, in theory, be quite distinct. The former is an economic and social issue, the latter a humanitarian one. But in practice they have got inseparably intertwined, because a liberal or humane asylum policy is bound to be seen as a loophole in a restrictive immigration policy. The two can only be maintained side by side if there is a fair and fast method of distinguishing between voluntary and forced migrants; and no such method has yet been found.

Fast methods are bound to be arbitrary, as snap judgments have to be made about situations which may be very complex, by people who may not be familiar with the language or political background of those whose good faith they have to assess. Fair methods are likely to be slow, and that means either detaining asylum applicants for long periods or letting them into the country provisionally, after which they live for months or years with the threat of deportation hanging over them. In practice European countries deport very few asylum applicants once they are in the country, but many are left in limbo. The unstated policy seems to be to use the difficulties and indignities of the application process as a deterrent.

All this is very expensive. Industrialised countries spend, according to Ms Barbara Harrell Bond, director of Oxford University's Refugee Studies Programme, an estimated $5bn to $6bn a year on processing asylum seekers. She compares this to the funds available to the office of the UN High Commissioner for Refugees (UNHCR) for its work around the world, currently less than $1bn.

That makes it sound as if it would be more cost-effective for industrialised countries to slash their expenditure on asylum seekers and give the money saved to UNHCR. Unfortunately, however, this is not a real alternative.

Clearly there is no chance of eliminating asylum procedures altogether. This could be done only by deciding either to refuse everybody or to admit everybody.

Refusing everybody would be contrary to international law, inhumane and politically unacceptable. Admitting everybody would mean abandoning any attempt to control immigration. This might just possibly be good economics, but is no longer remotely feasible politics in any country, even Australia or the US.

Thus giving more money to UNHCR, however desirable in itself, would certainly not remove the need for asylum procedures. Nor would it be at all likely to produce a *pro rata* reduction in the number of asylum applications to industrialised countries. As Ms Harrell Bond herself points out, those who seek asylum in the industrialised world, although a rapidly growing number, are less than 5 per cent of all forcibly uprooted people. All the rest remain in the south.

Nor is there any simple correlation between the cost of processing asylum applications and the number of bona fide applications received. Much of the money spent is a function not of the actual number of applications, but of the number of spurious applications to be feared if the machinery for weeding them out were not in place. In other words, the ostensible cost of an asylum policy is, in reality, part of the cost of an immigration policy.

It is perhaps unfair to take Ms Harrell Bond to task in this way, because her remarks were only a preamble to a very interesting argument about what *should* be done to tackle the worldwide refugee problem, and she certainly does not regard it as a simple matter of giving much more money to UNHCR.

Her views were set out in a paper submitted to the UK-Japan 2000 Group, which held its annual conference last weekend. The group exists to promote Anglo-Japanese understanding and co-operation, and this year it devoted a session to international migration.

I had assumed that the discussion would focus on the British experience of immigration, the problems now raised by population movements in Europe, and the extent to which Japan faced or might face similar problems. So it was rather a surprise, though by no means an unpleasant one, to find that the main paper submitted from the British side was the one by Ms Harrell Bond entitled "Refugees and the reformulation of international aid policies: what can Britain and Japan do?".

The next surprise was to find that the main targets of her attack were not western governments, nor yet international business, but UNHCR itself and the "non-governmental organisations" (NGOs) – western charities working in the third world – which in such discussions are usually cast as the good guys.

Ms Harrell Bond's examples of success stories include Cyprus, where 'the government used the situation as a catalyst for the reconstruction of the economy'

Ms Harrell Bond's thesis resembles the criticism which Israel has long made of Arab states for their handling of the Palestinian refugee problem, and also the critique that Thatcherism made of the welfare state in Britain. What she says in substance is that current policies tend to perpetuate problems by imposing a dependency culture on refugees, forcing them to live in camps and rely on distribution of emergency food supplies, instead of encouraging them to use their skills to become self-supporting, and in the process make a contribution to the economy of the host country.

Her examples of success stories are Cyprus, where "focusing on the need for housing and placing an emphasis upon labour-intensive policies, the government met the humanitarian needs of the refugees and used the situation as a catalyst for the reconstruction of its economy"; and Nepal, where Tibetan refugees were allowed to use their carpet-making skills, and were paid a wage rather than receiving food aid, with the result that "30 years on, having created employment for thousands of others, carpet making is the largest manufacturing industry in Nepal with foreign currency earnings of $50m annually".

These examples are contrasted with the "normal" approach, in which host governments create special offices to deal with the needs of refugees. "The maintenance of these offices depends on the continued existence of visible concentrations of people who attract funds earmarked for refugees. The result has been the perpetuation of a population labelled refugees, left living in limbo, sometimes behind barbed wire, and dependent for their survival on relief. Such bureaucratic interests were demonstrated on the day the Afghanistan peace accord was signed; several hundred Pakistani government employees petitioned their parliament, demanding to know what would happen to their employment if the refugees went home."

Ms Harrell Bond proposes that in future governments adopt a "development" rather than a "relief" approach. Apart from the vested interests of NGOs and local bureaucrats, and the ingrained habits of UNHCR, this argument will often run into the objection that it is politically defeatist, since it assumes the refugees have to be semi-permanently integrated into the host country's economy, whereas their own most ardent wish is usually to be able to return in safety to their original homes.

But all too many examples show that keeping refugees in camps is no guarantee that their political problem will be solved; and on the whole they are less resented when they mingle with the rest of the population, paying their own way, than when they are kept as a separate, embittered community with nothing to occupy them but guerrilla training and irredentist politics. The Cyprus/Nepal approach may not be a universal panacea, but it could be tried in many more places than it has been.

FINANCIAL TIMES
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Young followers of Democratic presidential hopeful Paul Tsongas listen to his speech in Orlando yesterday

Opinion poll finds Bush could lose to Democrat frontrunners

By Jurek Martin, US Editor, in Washington

A LEADING public opinion poll has found for the first time that President George Bush could be beaten in November by the two Democratic party frontrunners, governor Bill Clinton of Arkansas and former senator Paul Tsongas of Massachusetts.

The poll also showed Mr Bush's overall approval rating dropping below 40 per cent, among the lowest scores ever recorded by an incumbent at this point of a presidency. Most of the erosion in his support came from registered Republicans.

Also taking the edge off what should be a series of victories in the Super Tuesday primaries held yesterday was a blast against Mr Bush's administration from former president Richard Nixon for its "pathetically inadequate" response in assisting the former Soviet Union. The president said he did not take Mr Nixon's criticisms "personally."

Several recent surveys have suggested that Mr Bush could lose to an unnamed Democrat, but have found him comfortably ahead when the opposition was identified in person.

The Washington Post/ABC News poll of 1,030 randomly selected adults, conducted on March 4-8, put him behind Mr Clinton by 46 to 44 per cent and behind Mr Tsongas by a wider margin of 47 to 42 per cent, both subject to a sampling error of plus or minus 4 per cent.

The poll is, of course, only a snapshot of sentiment at a time when Mr Bush has been receiving generally poor political reviews for his campaign performance.

In the summer of 1988, Mr Bush was often put behind the Democratic nominee, Mr Michael Dukakis. But it also indicates that both Mr Clinton and Mr Tsongas, the main Super Tuesday Democratic rivals, are becoming better known as the primary season progresses.

But the drop in the president's overall rating (39 per cent approving, 58 per cent not, against 46-49 per cent the previous month) invites comparisons with previous presidents seeking relection.

In the spring of 1948, Harry Truman was down to 36 per cent, but won in November; in 1968 Lyndon Johnson scored only 41 per cent, and withdrew; in 1976 Gerald Ford was at 50 per cent, and lost; while in 1980 Jimmy Carter was also at 39 per cent, and was defeated.

Mr Bush does not want to be reminded of previous presidents at present. Mr Ronald Reagan has been conspicuously unhelpful in squashing the uprising on the Republican right, while Mr Nixon's intervention yesterday serves as a reminder of sharp divisions inside the foreign policy establishment about some aspects of the president's conduct of external policy.

Arguing for much greater financial and humanitarian assistance for Russia, Mr Nixon wrote that "the stakes are high, and we are playing as if it were a penny ante game."

He added: "The hot button issue in the 1950s was 'who lost China?' If Yeltsin goes down, the question 'who lost Russia?' will be an infinitely more devastating issue in the 1990s."

Mr Nixon was careful not to mention Mr Bush by name in his indictment, tactfully suggesting instead that the president was "uniquely qualified" to meet the challenge.

S African business prays for a 'yes'

By Patti Waldmeir in Johannesburg

SOUTH AFRICANS are wild about cricket, and ecstatic about their team's recent triumphs in the World Cup. But instead of hailing victory, yesterday's South African newspapers carried an advertisement picturing an overgrown cricket field with broken wickets and a torn ball.

The message: a "no" vote in next week's referendum will mean that South Africa will again be shut out of international sport. "Without reform, South Africa hasn't got a sporting chance."

The full-page advertisement was funded, not by the ruling National party, but by South African business which is spending R3.4m ($1.19m) to campaign for a "yes" vote in the referendum on political reform next Tuesday. Some two thirds of the "yes" camp's total advertising budget is coming from businessmen, who fear that their chance of returning to world markets will be sabotaged yet again by politics.

The political liberalisation of the past two years has already made a huge difference to the lives of most white businessmen.

They have been welcomed abroad, where before they were shunned: they have glimpsed a light at the end of the 40-year tunnel of apartheid isolation.

Now they are terrified that a vote in favour of reintroducing apartheid will provoke unprecedented international retribution. "A 'no' vote would be a guarantee for disaster," says Mr P.F. Retief, chairman of Johannesburg Consolidated Investments, one of the largest mining houses. He has written to white employees to urge a "yes" vote.

"If we cannot sell our production because of reimposed sanctions, both your job and my job will be threatened. If money flees the country, interest rates will be raised even higher and the recession will deepen. Unemployment will rise further with all its consequences ... like the crime and violence we are already experiencing and this will certainly worsen," he argues in his letter.

Mr Peter Mackenzie, director of the Private Sector Referendum Fund, insists the campaign is "non party-political". It was launched by one of the country's largest media groups, Times Media, and has had contributions from across the white business spectrum, not to mention offers of help from black business as well.

The fund also bought billboards at the World Cup cricket grounds – matches are widely televised in South Africa – and distributed proreform T-shirts to fans. But the billboards were withdrawn when a rival group tried to purchase advertising for the "no" camp.

Mr Mackenzie says the campaign's advertisements are about to become "more dramatic and blunt".

The toughest advertisement so far had an ironic twist to it, however: it showed an operating table littered with used gauze and broken needles, and the message "without reform, South Africa won't get better".

For many whites, those are the images associated with health care in independent African countries. Many believe they can avoid such a fate by reaffirming apartheid – not by voting "yes" to reform.

Mergers watchdog to probe UK brewing venture

By Philip Rawstorne in London

THE proposed £510m ($898m) merger of the UK brewing operations of Allied-Lyons, the drinks, food and retailing group, and Carlsberg, the Danish brewer, was referred yesterday to the UK Monopolies and Mergers Commission.

Mr Peter Lilley, trade and industry secretary, said that the planned joint venture, Carlsberg-Tetley, raised questions of competition in the UK beer market which deserved investigation. The MMC has been asked to report by June 11.

The 50-50 joint venture, announced last October, would bring together Allied's six breweries – with brands including Castlemaine lager and Britain's best-selling ale, Tetley – and Carlsberg's modern brewery at Northampton, north of London.

The combined operation, with a nationwide distribution network, would command about 18 per cent of the UK beer market, rivalling Bass, the leader with 23 per cent, and Courage with 20 per cent.

Sir Gordon Borrie, director-general of fair trading, who carried out a preliminary examination of the deal, is understood to have advised Mr Lilley of his concern that this further consolidation in the industry would not be accompanied by any weakening of the brewer's links with pub retailing.

Carlsberg-Tetley would supply Allied's tied estate of more than 4,000 licensed premises, the third largest in the country.

Mr Lilley issued a warning when he gave approval for the pubs-for-breweries swap between Grand Metropolitan and Courage less than 18 months ago, that "the greater the degree of concentration in the industry, the more reluctant I will be to allow further increases in market share by acquisition."

He also said that any increases in concentration by mergers involving the big brewers would be generally unwelcome unless they were counterbalanced by a weakening of their links with pub retailing.

Allied, which considers the merger vital to its future competitive position, said yesterday that it was disappointed by the referral but remained committed to the venture.

Mr Malcolm Wright, Allied Breweries' corporate and finance director, said: "We believe that it is an excellent deal for the shareholders of both Allied-Lyons and Carlsberg and that the company will have a brand portfolio of outstanding quality to offer its customers."

He said that legal documentation for the merger had been signed. "We remain confident that we will be able to implement the joint venture in due course." Allied has already run into problems with the OFT in its attempts to meet government orders to free 2,800 pubs from tied beer supplies. Allied went ahead with the leasing of 734 pubs to Brent Walker last month in spite of a warning from the OFT that the pubs would not count towards its disposal target. The issue may have to be resolved by the courts.

THE LEX COLUMN

Lamont's lament for gilts

The City may have been hoping for some nice surprises from Mr Lamont yesterday. In the event, it received one nasty one. Next year's PSBR will be some £4bn higher than most forecasters expected, even after the most niggardly of tax cuts. The only consolation for those who have been discounting a Tory victory was that the Budget takes some wind out of Labour's sails. Labour would find it awkward to unwind yesterday's tax cuts. Whoever wins the election will be saddled with a PSBR of 4.5 per cent of GDP. Labour could scarcely finance an ambitious programme without steep tax increases.

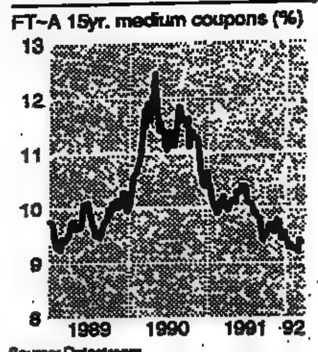
That, however, is a mere theoretical advantage. It is a long way from the budget guaranteed to win electoral support for which the City had hoped. The prospective £28bn PSBR was already weighing on both sterling and the gilts market last night. Interest cuts look more remote than ever. There was a disappointing limpness in the chancellor's reiteration of the commitment to put sterling into narrow bands. The danger of the vicious circle still lurks in which currency weakness and the government's dwindling standing in the polls feed on each other.

Against this background, it is difficult to see why the FT-SE should hold on to yesterday's 1 per cent gain. The market may have expected the chancellor to trim his 1992 growth forecast; it had scarcely an inkling of the extent to which revenue erosion has caused the PSBR to balloon. The Bank of England has virtually satisfied its funding needs for this year, but was quick to announce an increase in the size of its regular auctions. Equities will thus face extra competition for investors' money. Even the market's modest recovery hopes may be dented by the daunting scale of the effort that will eventually be needed to put the government's finances back on an orderly footing.

FT-SE Index: 2,574.8 (+24.1)

UK gilt yields

FT–A 15yr. medium coupons (%)



Source: Datastream

Industry

Investors will be hard pressed to draw up a long or convincing list of stock market winners. The lack of any change in the capital allowances regime disappointed some expectations, while apparently generous reductions in the uniform business rate and concessions to the motor industry are likely to have only a marginal effect.

The UBR, for instance, raises £14bn-£15bn a year for local authorities, which puts Mr Lamont's £480m giveaway for 1992-93 into context. Brewers and distillers, hotels, and retailers – whose assets are predominantly land and buildings – will be obvious beneficiaries. But the chancellor's hope that the property market can be unlocked with the help of transitional relief for new occupiers looks wishful thinking. Smaller, nursery style, units may well receive a boost but the main problem for the property sector remains one of chronic oversupply. Property shares have been ravaged in the last year, but they still look vulnerable if bad poll news were badly to unsettle the gilts market. The stimulus to the motor trade, meanwhile, was largely as predicted, though Lucas followers should be pleased by the surprise decision to calculate car scale charges by reference to the value of the vehicle rather than its engine size. The car tax reduction should at least tempt consumers who have deferred purchases, though much will depend on how far it is passed on.

Elsewhere, there is some comfort to be drawn from the long-term commitment to address the problem of Advance Corporation Tax, to fight the good fight for Scotch whisky and cider makers in Brussels, and to improve payment terms for sub-contractors. The imaginative requirement that companies publish how quickly they pay their bills in annual reports, indeed, may be one of this Budget's more enduring legacies for the City. Smug boasts about 30 days sounds like the signal for a stockbroker's Sell.

BES

The abolition of the Business Expansion Scheme is one of the Budget's more welcome features, and should help stimulate the debate over how small companies are best financed. BES investors have enjoyed an excessive tax break long after the scheme was largely diverted from its original purpose of raising venture capital for small businesses. Intermediaries will doubtless make full use of their two opportunities to stampede investors into new schemes before the system's demise at the end of next year, although it is hard to see that adding much economic stimulus. There must also be doubts over how far the housing market will be helped by the easing of rules on assured tenancy schemes for owner-occupiers in danger of repossession.

As for the government's position that the UK venture capital industry is now sufficiently mature to fill the gap left by BES, that looks a little complacent. While BES has passed its sell by date, there might still be a need for incentives in future. Unless, that is, the City plans to become much more friendly to such high-risk investments.

Glynwed

If it were needed, there was confirmation of the dire state of the economy from the one large industrial company reporting yesterday. Recovery is nowhere in the picture for Glynwed, but cannot come quickly enough. The 6 per cent rise in its shares was prompted by yet another maintained dividend from an engineering company not earning enough to cover the payment. The market chose to ignore the 64 per cent annual profits fall and the pessimistic trading statement which accompanied the figures, focusing instead on the positive impact expected this year from cost-cutting measures. Given that the group was hit to the tune of £11m by problems in its copper tubing division, the underlying trading position was perhaps more resilient than expected.

One question is whether Glynwed is vulnerable to a predator. The balance sheet is healthy enough, although stated gearing of 40 per cent is more like 50 per cent when finance leases are included. An aggressive conglomerate might be interested in some of the businesses, particularly those like Aga which have strong market niches. The problem is that the shares look expensive on a prospective multiple of 15, assuming nearly doubled earnings this year.

UN runs out of options on Iraq

Continued from Page 1

British official said. Another suggestion is that the council should seize, and similarly spend, Iraq's $300m deposit with the Basle-based Bank for International Settlements. But this is also unlikely to win favour, not least because Switzerland is not part of the UN.

Other proposals being aired include the dispatch of UN human rights monitors to Iraq and the possible extension of the protection zone for the Kurds in northern Iraq further south of the 36th parallel.

Short of an outright attack, however, there appears to be few effective courses of action apart from hoping that the threat of a strike, combined with intensified military manoeuvres in the Gulf, will frighten Iraq's leadership into compliance.

But the west knows that Mr Saddam is not easily frightened or bluffed. It also knows that, even given sufficient political support in the UN for a further military raid, an attack would not necessarily push him into compliance.

A strike might destroy weapons and the manufacturing sites which UN inspectors have discovered, but this would only deter Iraq from revealing further components of the weapons and nuclear programmes that UN inspectors are sure it is hiding. "It's hard to see how you could set up a single strike or set of attacks which would force Saddam's hand," says Mr Don Kerr, a military analyst with Control Risks Group, a private research company.

Furthermore, the domestic political consequences for the election-conscious governments of the US and Britain would be appealing only insofar as a raid succeeded immediately either in bringing Iraq to heel or, perhaps, in toppling the present regime. Neither result could be expected with any confidence.

UN officials acknowledge that there is little more to be done in the medium term beyond pursuing further details of Iraq's nuclear and weapons programmes on the ground. Another team of nuclear experts will enter Iraq early next month.

"Our very presence there is a hindrance (to Iraqi plans)," said Mr Tim Traban, a spokesman for the UN Special Commission charged with overseeing the elimination of Iraq's weapons of mass destruction. But, "there's very little else we can practically do, but make plain to Iraq that it's not just the UK and US, but the entire Security Council which will not consider lifting sanctions until Iraq complies."

Nato-CIS peace plan

Continued from Page 1

that should be the paramount priority."

Later, the foreign ministers of Azerbaijan and Armenia – at separate news conferences – traded charges over who was to blame for the situation in Nagorno-Karabakh. However, both men said they wanted to solve the conflict peacefully and that a ceasefire should be monitored by international peacekeepers.

Mr Dienstbier will be going to Nagorno-Karabakh in his capacity as current president of the CSCE.

His mission is intended to support efforts already undertaken by Russia to find a solution to the dispute. The immediate objective is to bring about a ceasefire, an exchange of prisoners and the establishment of a corridor through which humanitarian aid can be channelled.

The agreement by the Council was its first decision following the formal admission yesterday of 10 new members from the CIS, including Armenia and Azerbaijan. Russia, the Baltic states and the new democracies of central and eastern Europe have been members since last year.

Mr Baker and Mr Manfred Wörner, Nato secretary-general, made clear that the NACC may well be called on to play a more direct peacekeeping role in Nagorno-Karabakh and other areas of conflict in Europe and the former Soviet Union.

Though no decision on the despatch of peacekeeping troops to the enclave was taken yesterday, the possibility of such a move was openly mooted at the meeting.

Mr Baker said the NACC should have "a mutually reinforcing relationship with the CSCE."

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Belgrade	S	9	48	Cape Town	S	24	75	Edinburgh	Sl	5	41	Inverness	F	5	41
Algiers	F	15	59	Berlin	S	12	54	Caracas	C	31	88	Faro	S	18	64	Islamabad	C	23	73
Amsterdam	S	11	52	Biarritz	F	15	59	Casablanca	S	19	66	Florence	S	14	57	Istanbul	F	6	43
Athens	[illegible]	10	50	Bombay	S	29	84	Chicago	Sn	-6	27	Frankfurt	S	11	52	Jakarta	R	32	90
Bahrain	S	17	63	Bordeaux	S	[illegible]	61	Cologne	S	13	56	Geneva	S	13	55	Jersey	R	8	46
Bangkok	[illegible]	35	95	Boulogne	F	9	48	Copenhagen	Fg	4	39	Gibraltar	F	16	61	Johannesburg	S	30	86
Barcelona	[illegible]	14	57	Brussels	S	11	52	Corfu	S	13	56	Glasgow	C	4	39	Lima	F	29	[illegible]
Beijing	S	9	48	Budapest	S	9	48	Dallas	S	2	36	Helsinki	[illegible]	5	41	Lisbon	S	16	61
Beirut	S	13	55	Buenos Aires	F	33	91	Dublin	S	6	43	Hong Kong	Dr	16	61	London	C	[illegible]	[illegible]
Belfast	Sl	2	36	Cairo	S	20	68	Dubrovnik		—	—	Innsbruck	S	12	54	Los Angeles	S	12	54

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Luxembourg	S	11	52	Miami	S	23	73	Nice	S	14	57	Salzburg	S	14	57	Tenerife	F	20	68
Madeira	S	[illegible]	[illegible]	Milan	S	12	54	Nicosia	S	15	59	San Francisco	C	12	54	Tokyo	S	13	55
Madrid	S	12	54	Montreal	C	5	41	Oporto	S	14	57	Seoul	S	9	48	Toronto	R	7	44
Majorca	S	17	63	Moscow	F	4	39	Oslo	R	5	41	Singapore	C	28	82	Tunis	R	13	55
Malaga	F	17	63	Munich	S	11	[illegible]	Paris	S	12	54	Stockholm	S	8	46	Valencia	S	16	61
Malta	C	13	55	Nairobi	F	25	79	Prague	S	9	48	Strasbourg	S	13	55	Venice	S	12	54
Manchester	C	7	45	Naples	F	14	57	Reykjavik	S	-1	30	Sydney	S	25	77	Vienna	S	11	52
Manila	F	[illegible]	[illegible]	Nassau	F	28	82	Rhodes	F	14	57	Taipei	R	14	57	Warsaw	S	9	48
Melbourne	S	33	91	New Delhi	S	30	86	Rio de Janeiro	C	35	95	Tangier	S	18	64	Washington	C	13	55
Mexico City		—	—	New York	C	6	43	Rome	F	18	65	Tel Aviv	S	15	[illegible]	Zurich	S	11	52

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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COMPANIES & MARKETS
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INSIDE

BSN to buy 24% stake in San Miguel

BSN, France's leading food group, is to strengthen its position in Spanish brewing by buying a 24 per cent stake in San Miguel, the country's third-largest beer brand. BSN, under the chairmanship of Mr Antoine Riboud (left), is Europe's second largest beer group, with market leadership in France and Italy and strong positions in Spain, Belgium and Greece. It already owns 33 per cent of Mahou, another Spanish brewer. Page 20

Degussa profits rise 5%

Pre-tax profits of Degussa, the German metals, chemicals, and pharmaceuticals group rose by 5 per cent to DM43m ($26m) in the first quarter of this year, but Mr Gerd Becker, chief executive, said results would only show a marked improvement for the full year if the world chemical market recovered. Page 20

Chile's desert harvest

Francisco Echeverria lost his faith in modernity around 1860, when the mining equipment he had imported from Britain caught the garments of his Parisian bride and ripped her to shreds. He never returned to the valley of Copiapó in the Atacama desert that was the centre of Chile's mining boom. He would not recognise his barren valley today. In the past 10 years thousands of acres have been reclaimed from the desert, which is now carpeted with row upon row of delicate grape vines. Page 27

Resignations at MTM

Mr Richard Lines, chairman and founder of MTM, resigned yesterday following a week in which the speciality chemical manufacturer's market value fell by more than two thirds as a result of two profits warnings. Mr Tom Baxter, finance director, will also step down. The resignations end a stormy relationship between Mr Lines and his City backers who have questioned some of MTM's accounting policies. Page 24

De Beers fails to sparkle

De Beers, the South African mining group which dominates the world's rough (uncut) diamond market, yesterday announced a 20 per cent fall in 1991 net attributable earnings. However, the group proposed a marginal increase in total dividends. Page 21

Mixed bag of emerging markets

Shifting fortunes in Latin America, a further slide in Turkey and equity fever in India were key features in the world's emerging markets in February. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Linde	816	+	6	AGF	517	+	10
Linotype-Hell	370	+	10	Cetelem	830	+	19
Wella Prf	611	+	5	Ecco	[illegible]	+	18.7
Falls				[illegible]	939	+	41
Lahmeyer	636	–	19	UAP	575	+	20
Leifheit	520	–	8	**Falls**			
Sud Chemie	540	–	5	Printemps	635	–	45
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
AMR	76⅜	+	1	Daido Sanso	[illegible]	+	65
Am T & T	38½	+	⅝	Fujikura Kasei	360	+	25
Dell Computer	39¼	+	2¼	Mochida Pharm	4430	+	500
Lotus Dev	38⅛	+	2⅜	**Falls**			
Philip Morris	77	+	1	Crown	850	–	100
Falls				Nichiboshin	370	–	30
Oracle System	17¼	–	¼	Togami Elec	501	–	40

LONDON (Pence)							
Rises				Rank Org	718	+	24
BB&EA	435	+	30	Redland	476	+	18
Coats Viyella	204	+	9	Shanks&McEwan	218	+	11
CourtauldsText	486	+	21				
Glynwed Ind	239	+	14	Smiths Inds	299	+	13
Grand Met	933	+	25	Steetley	402	+	15
Guinness	625	+	17	**Falls**			
Heywood Wms	356	+	18	Fisons	371	–	11
Legal & Gen	380	+	13	Logica	187	–	4
Lex Service	244	+	10	MTM	105	–	14
Marley	125	+	3	Nat Power	218	–	5
Microvitec	28	+	3	Ransomes	28	–	4
Pearson	843	+	21				
P & O Dfd	412	+	13				

Cut in German chemicals companies' dividends puts pressure on Bayer to follow

BASF and Hoechst each fall 20%

By David Waller in Frankfurt

BASF and Hoechst, two of Germany's big three chemicals companies, both announced yesterday that their pre-tax profits fell by more than 20 per cent last year and that they intended to cut their dividends for 1991 – the first time that the payout has been cut back since 1982.

The announcements will put pressure on Bayer, the third of the big three chemical companies, to cut its dividend as it reports its 1991 results today. However, because of Bayer's prospering pharmaceuticals divisions, the drop in profits is expected to be about 5 per cent.

BASF's pre-tax profits fell 23.2 per cent to DM2.11bn ($1.26bn) compared with DM2.75bn the year before, while Hoechst's pre-tax profits fell by just over 20 per cent to DM2.56bn (DM3.22bn). This is the second year running that their profits have dropped substantially, reflecting poor conditions for the German chemicals sector both in the domestic market and overseas.

The figures were in line with expectations, and the cut in the dividend – by DM1 to DM12 per share – was less severe than anticipated. The share prices of the two companies rose yesterday.

"By cutting the dividend only this much," said Ms Petra Zamatna, of the Deutsche Bank Research in Frankfurt, "the companies have reached a compromise. They are keeping their shareholders happy and at the same time they are giving a very clear signal that 1992 will be a difficult year as well."

Yesterday the companies gave the basic figures for profits and turnover, the latter up by 5.2 per cent to DM47.19bn (DM44.86bn) at Hoechst and virtually unchanged at BASF at DM46.63bn (DM46.62bn). The two companies will spell out the details of last year's figures and their outlook for the current year in the next two weeks.

Hoechst said that in a number of areas – including synthetic fibres, plastics and dyes – it was suffering from high production costs and prices kept low by intense competition in world markets. Analysts expect little improvement in the current year and Mr Kiran Bhojani at M.M. Warburg in Hamburg predicted that earnings at the three companies would climb by only a fraction.

Today's dividend decision from Bayer will test the principle that the three big companies maintain a similar dividend policy.

UK engineering group's shares rise as market sees signs of recovery

Glynwed holds payout as profits decline

By Paul Cheeseright, Midlands Correspondent

GLYNWED International, the UK engineering group, is holding its 1991 dividend at 1990 levels in spite of its worst trading figures since the recession of the early 1980s.

The immediate response to a fall in Glynwed's 1991 pre-tax profits to £25.5m ($44.8m) from £70.3m earned in 1990 was to push the shares up by 14p to 239p, giving a value to the group approaching £500m.

Glynwed is scooping £15.3m out of its reserves to pay a final dividend of 7.5p, bringing total payments to shareholders for 1991 of 11.65p, and to cover the costs of lopping off sections of its recession-hit business.

But the market took that as a sign of confidence that manufacturing industry in general is readying itself for more prosperous times.

The profit figures were no worse than analysts had predicted. The range of Glynwed's interests, from up-market Aga stoves through copper tubing to plastic micro-irrigation systems, mean the group is exposed to a wide range of economic sectors, especially in the UK which accounts for nearly 70 per cent of turnover.

Glynwed's trading in the second half of 1991 was better than in the first half: pre-tax profits were 45 per cent higher. The management has been assaulting costs which could mean savings of up to £20m this year.

Although the shakeout in manufacturing industry has not been on the scale of the early 1980s, the assault has been painful. Over the past year, the number of Glynwed's employees internationally has fallen to about 12,000 from 13,715. More than 1,400 of the jobs lost have been in the UK.

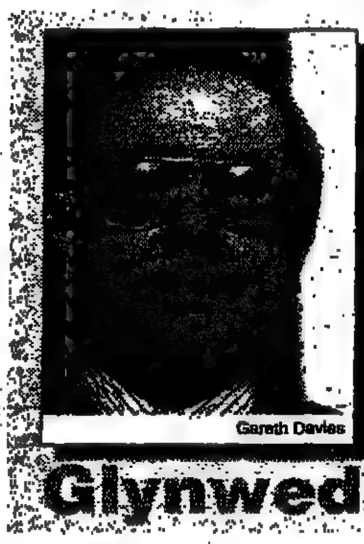
"I believe that the beneficial effects of the actions already taken should ensure that profitability of 1992, particularly in the second half of the year, will be appreciably better than in 1991," said Mr Gareth Davies, chairman.

Yet the qualification in Mr Davies's statement to the stock exchange made it clear Glynwed at least is not basing its future plans on hopes of an immediate economic revival.

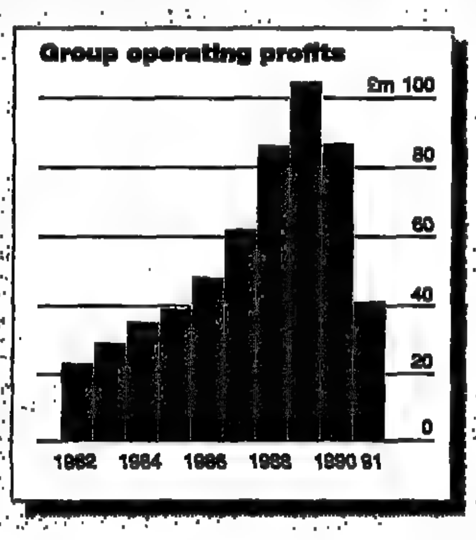
"The group's prospects for 1992 depend less on expectations of any improvement in market conditions than on the consequences of the considerable work done – mainly during the past year but with more to come – to cut costs and improve the efficiency of operations," he said.

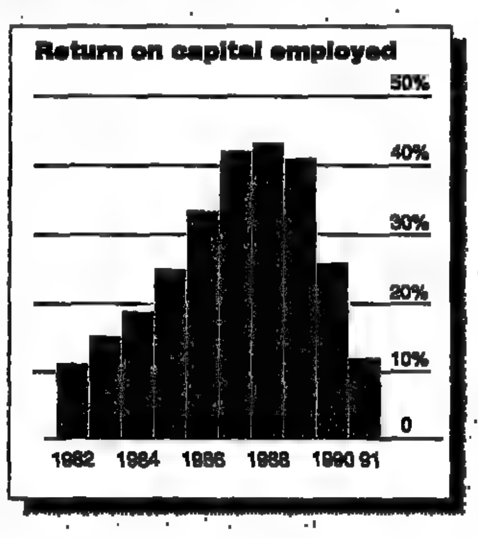
Lex, Page 18

A model of UK's industrial pattern



Gareth Davies





The good news is that Glynwed International has withstood the worst of the recession. The bad news is that it cannot tell exactly when better times will come.

To monitor Glynwed is to monitor the movement of the British economy, so diverse are its interests. To watch Glynwed is to see in microcosm a shifting in the pattern of national manufacturing industry: the move towards more exports and the move away from cyclical markets to those perceived to offer prospects for growth.

In 1987, 16.7 per cent of Glynwed's turnover was generated overseas. This climbed to 32.7 per cent in the record year of 1990 and slipped last year to 31.8 per cent – still worth around £300m ($516.9m).

Glynwed was the archetypal metal basher. Even now it is part of the metals and metal-forming sector of the stock exchange. But it sees its brightest prospects in the growth of an international plastics business. The only problem is that the funds for new investment have to come from selling off traditional businesses and it is difficult to fatten up companies for disposal in a recession.

The attraction of plastics is clear. The sector was the last into the recession. Healthy demand from the water industry and steady buying from the gas industry, as infrastructure projects went ahead, meant that the plastics share of Glynwed's 1991 pre-tax profits – £20.5m against £24.5m in 1990 – held up better than any division except property.

In fact, Glynwed has been feeling the effects of recession, first in a mild form and then more acutely, since August 1988 when the demand for consumer products, especially domestic cookers – Glynwed makes the Flavel, Aga and Rayburn brands – began to turn down. Then, in May 1989, it was the turn of building materials, such as copper tubing.

By spring 1990, the steel business was beginning to feel the strain. By the end of the year, iron products used in the commercial, non-housing, construction industry were caught in the recessionary trap. Steel tube demand fell off at the same time.

Throughout 1990, Glynwed saw the slide in demand for products used in capital equipment. Then last year, plastics became a cause for concern while there was also a reduction in the demand for steel used in the motor industry, the full implications of which are not yet clear.

But as these sectors moved down the economic cycle, others began to move up. In the second half of last year, there were signs of improvement in the consumer products section of Glynwed's business. The return on capital employed for 1991 was 22 per cent compared with 35 per cent for plastics and a meagre 12.4 per cent for the group as a whole.

It was tempting to think that the first sectors into recession would be the first out, and that there would be as even a movement back to prosperity as there had been out of it. But the reality will probably be more complex. Overall, the market is not improving, Mr Gareth Davies, chairman, made clear yesterday.

But Glynwed's health probably will be improving. Like other UK engineering companies struggling for a position in increasingly harsh international markets, it has been cutting costs. It has also been seeking to enhance its competitive position. It has been making provisions in its 1991 accounts for losses it expects to occur in 1992. It has been bringing in new capacity and rationalising its copper tube operations. It has been selling off businesses where it cannot hope to be market leader – metals distribution in Canada, for example. It has been cutting wages and salaries bills.

The immediate effect was that last year Glynwed had a net cash inflow of £9.7m compared with a net outflow in 1990 of £8.3m. That in turn led to a reduction in the group's debt burden to £82.6m from £92.3m at the end of 1990. The amount of debt, as a proportion of the group's equity, is expected to be stable in 1992 at just under 40 per cent.

The hope is that the combined effect of Glynwed's financial and industrial measures will provoke a much faster response, in terms of profits, to any upturn on the market.

"I do believe that when it [the upturn] starts to happen, it will not need much movement, especially on the consumer products side, to see profits come through," said Mr Davies.

HSBC earnings rise 83% on subsidiaries' lower losses

By Simon Holberton in Hong Kong

HSBC Holdings, the London holding company of the Hongkong and Shanghai Bank's worldwide assets, yesterday reported an 83 per cent growth in earnings – after tax and transfers to secret inner reserves – to a record HK$5.66bn (US$730.9m).

The result compares with earnings of HK$3.1bn in 1990, and a previous record profit of HK$4.77bn in 1989.

The bank's earnings were at the upper end of analysts' expectations and Mr William Purves, chairman, quashed rumours of a rights issue saying he did not think the bank would go to shareholders this year.

But he would not preclude "spinning off" the bank's main subsidiary, Hongkong and Shanghai Bank, which consists of the bank's Asian and Pacific assets. "But this is not on the agenda and has not been put before the board," he said.

Mr Purves also scotched rumours of a European acquisition. He said the bank was interested in forging an alliance with a European bank along the lines of its successful relationship with Wells Fargo in the US.

He said the bank was having discussions with a number of continental European banks, but he did not hold out hope of any imminent agreement. Hongkong Bank remained a long-term holder of its near 15 per cent stake in Midland Bank, the UK clearer, he said.

Mr Purves thought the outlook in 1992 was uncertain, particularly for the main industrial nations. However, he expected Hong Kong and east Asia to maintain their momentum and grow faster than the rest of the world.

He predicted dividend growth of at least 8 per cent this year. Directors declared a final HK$1.31 a share dividend which, with the interim of 54 cents, makes HK$1.85 for the year - up 19.7 per cent on 1990's payout.

Hong Kong banking law allows banks to maintain hidden reserves and they therefore do not report their true profits. However, Mr Purves denied that the bank manipulated its profits and said it had attempted to give a picture of the trend in profits growth. The bank faces full disclosure by 1994 at the latest, as required by European banking law.

The source of growth in the bank's reported profits seems to have come mainly from the effect of lower losses in its US and Australian subsidiaries. The difference between these losses in 1991 compared with 1990 added more than HK$2.2bn to the bank's 1991 profit.

Mr Purves said Hongkong Bank's Asian operations – mainly Hong Kong – reported improved results. He said the bank's profits derived from the colony were in line with what other Hong Kong banks had reported – indicating a 30 per cent profit improvement at least.

The bank's main subsidiary in the Middle East, the British Bank of the Middle East, lifted profits 20 per cent to £37.4m from £31.1m.

James Capel, HSBC's UK-based broker, reported a pre-tax profit of £9.1m ($15.7m) last year (£6.1m after tax) – its best result since before the 1987 stock market crash. The result – due to cost-cutting and the closure or sale of loss-making activities – followed losses of £30.3m in 1990. Capel says its market share is back to around 9 per cent.
Details, Page 25

Saatchi turns sharply into red

By Gary Mead, Marketing Correspondent, in London

SAATCHI and Saatchi, the world's second largest advertising and marketing services company, yesterday reported pre-tax losses of £63.6m ($111.9m) for the 15 months to the end of December 1991; on a 12-month basis the pre-tax loss was £58.4m against pre-tax profits of £35.6m for the year to September 1990.

The larger-than-expected losses were primarily due to exceptional items totalling £54.5m during the last 15 months, including provisions made for leases on vacant property, as well as costs incurred in closing and merging several small companies. Severance costs alone amounted to £20.8m in 1991 (£9.7m in 1990).

Mr Robert Louis-Dreyfus, chief executive, added that two companies within the group made "large losses" in 1991; he declined to say which companies had performed badly, but it is believed that the group's consultancy businesses are lagging.

Before consideration for exceptional items, the group made a pre-tax loss of £9.1m for the 15 months. Over the 12-month period that loss was £3.5m. On a 12-month calculation, the group registered underlying declines of 2.3 per cent in revenues to £739.8m (£757.8m in 1990) and of 49 per cent in trading profits, to £20.5m (£40.2m in 1990).

Mr Louis-Dreyfus said net debt averaged £200m in the final quarter of 1991 and ended the year at £180m.

The group's trading figures were affected by recession in the US and the UK. During 1990, the US accounted for a £22m trading profit, falling to £10.2m in 1991; in the UK a 1990 trading profit of £7.2m transformed into a trading loss of £4.3m last year. However, the group did better in the rest of Europe, increasing trading profits from £8.4m (1990) to £14.4m (1991).

Mr Louis-Dreyfus said the group was budgeting for a slight decline in revenues this year, though he believed that a more stable advertising market was likely and that 1992 "will mark the start of a sustainable improvement in operating margins and profitability".

He did not anticipate severance costs this year, but a three-year phased introduction of an incentive scheme for the 300 most senior executives would gradually reduce the £300m salary bill by 1.5 per cent of group revenues, a potential cost reduction of about £11m annually.
Comment, Page 24

BSN boosts beer interests with 24% of San Miguel

By William Dawkins

BSN, France's leading food group, is to strengthen its position in Spanish brewing by buying a 24 per cent stake in San Miguel.

The acquisition, at an undisclosed price, is a valuable addition to BSN's beer interests, which already include 33 per cent of Mahou, another Spanish brewer.

BSN, under the chairmanship of Mr Antoine Riboud, is Europe's second largest beer group, with market leadership in France and Italy and strong positions in Spain, Belgium and Greece. Its other brands include Kronenbourg, Kanterbräu, Maes Pils and Peroni.

However, BSN's beer business is less international than some of its other activities, in biscuits, mineral water and dairy products. In 1990, the beer division made 82 per cent of its FFr6.6bn ($1.18bn) sales in France, out of total group sales of FFr52.9bn.

Antoine Riboud

The San Miguel stake was sold by the March group. The purchase was made with the agreement of other investor groups, and leaves the family shareholders in majority control.

The acquisition, valued at Pta13bn ($125m) at current Madrid stock market prices, gives BSN a stake in the Spanish beer market rivalling that of Guinness, which has a market share in excess of 20 per cent.

San Miguel is the fifth biggest domestic brewer with a market quota of some 14 per cent. The other main foreign player in Spain's beer sector is Heineken, which owns 51 per cent of El Aguila, the second biggest brewer.

The deal highlights the current drive by one of Spain's premier family controlled holding companies to realise its assets. Last week it announced it was selling a 15.5 per cent stake in Signet Banking Corporation of the US.

The group had earlier unveiled plans to raise as much as Pta50bn through the sale of its electric utility interests in Spain. It is also understood to be seeking buyers for certain chemical companies it owns, as well as partners for its two domestic banks, Banco Urquijo and Banco de Progreso.

Investors lose Au Printemps bid battle

By William Dawkins in Paris

MINORITY shareholders in Au Printemps, the Parisian stores group, yesterday lost an important court battle to secure more generous bid terms from Pinault, the timber-to-furniture retailing group.

The move, coming in the shadow of the legal battle for control of the Perrier mineral water group, is expected to increase support for a change in French takeover regulations.

These currently oblige a buyer to bid for only 66 per cent of a company's shares once a third of the equity has been acquired.

A full bid is only triggered once the 50 per cent threshold is passed.

Au Printemps' minority shareholders took action on the grounds that they believed Pinault had artificially arranged for the expiry of some of the voting rights in a stake it had bought in Au Printemps last November, so as to bring its investment in the stores group below 50 per cent.

The seller, the Swiss holding group Maus-Nordmann, had made double voting rights on some of the shares expire by selling them to one of its subsidiaries before on-selling to Pinault, they argued. Pinault should have accordingly extended its FFr5.3bn ($940m) offer for two-thirds of Au Printemps to all the shareholders.

However, the Paris appeal court concluded that Pinault had legitimately bought 37.3 per cent of Au Printemps' voting rights, and that it therefore did not need to make a full bid. Au Printemps' share price dropped by 4 per cent within minutes of the announcement.

The finance ministry is consulting stock market organisations and employers' groups, which want an end to the 66 per cent rule, so that full bids would be triggered on the critical threshold.

Failure to reform the three-year-old regulation could hamper the country's attempts to attract big institutional investors, they argue.

Degussa plans to float stake in unit

By Andrew Fisher in Frankfurt

PRE-TAX profits at Degussa, the German metals, chemicals, and pharmaceuticals group, rose by 5 per cent to DM43m ($26m) in the first quarter of this year. However Mr Gert Becker, the chief executive, said results would only show a marked improvement for the full year if the world chemical market recovered.

The company plans a number of fund-raising moves this year. It will launch a rights issue and plans to float off a minority stake in its pharmaceutical subsidiary, Asta Medica, when stock market conditions are suitable. Asta's turnover, including the newly acquired business in east Germany, is around DM1.3bn.

Mr Becker said Degussa's profits last year stemmed from chemicals and pharmaceuticals. It had cut losses at its Leybold high technology unit and was seeking a partner for this business. Eventually, Leybold could also be partly floated off to the public, he said.

Degussa's restructuring measures had made the company "significantly more robust" than in the previous year, he added. Group restructuring costs exceeded DM100m in the financial year to September 1991, with the labour force reduced by more than 2,000.

The company intends to shed a further 1,000 jobs by autumn next year, as it reduces its central administrative and research staff. "We are in a period of radical change," Mr Becker said.

For last year, Degussa cut its dividend from DM11 to DM7 after a drop in net income last year of 33 per cent to DM99m.

Degussa is concentrating more on its non-German activities to be closer to world markets. Foreign investments were higher than those at home for the first time last year. Investments abroad, chiefly in the US, India, Taiwan and Brazil, made up 55 per cent of the DM783m total, which was up by 15 per cent on the previous year.

Mr Robert Ehrt, finance director, said this year's capital spending would total up to DM650m. Around 70 per cent of turnover, which dropped by 7 per cent to DM3bn in the first quarter, is achieved abroad.

Generali expects to post rise

By Haig Simonian in Milan

GENERALI, Italy's biggest insurance company, yesterday forecast higher earnings for 1991, despite continuing heavy underwriting losses on non-life business, particularly in Italy.

Releasing preliminary figures for last year, the company said the "positive" trends stemming from life insurance earnings and a slight let-up in the rate of cost rises had failed to make up for non-life underwriting losses.

However, investment income and extraordinary gains would allow it to report earnings above the L351.2bn ($282m) made by the parent company after tax in 1990, despite the additional burden imposed by a government requirement to bring forward certain property tax payments last year.

Non-consolidated premiums rose by around 14.5 per cent to L7,200bn in 1991. Generali gave no indication of consolidated group premiums, which amounted to L13,670bn in 1990, but said premiums from other companies it controlled rose by around 12 per cent to almost L11,000bn in 1991.

Non-life premiums rose by around 12.6 per cent, with premiums on the life side jumping by 17.2 per cent. No absolute figures were given. Domestically, non-life premiums rose by 10 per cent to almost L2,400bn, while life premiums rose by almost 19 per cent to L1,350bn.

Investment income rose by 20.8 per cent, while the value of Generali's overall investment portfolio surged by almost 30 per cent to over L21,200bn from L16,300bn in 1990. No explanations for the increases were given.

More detailed figures should be available on May 5, when the company's board meets to consider its 1991 results.

● Alitalia, the Italian state-controlled airline, wants to stay out of alliances, Reuter reports.

"Among all the alliances that have been announced I have not yet seen one that really worked," managing director, Mr Giovanni Bisignani, said.

"Even the gurus of air transport seem to have changed their minds on the subject of link-ups," he said. "We at Alitalia prefer to achieve critical size by ourselves."

Generale Bank up to BFr9.6bn

By David Buchan in Brussels

GENERALE Bank group, Belgium's largest, has posted a 19.6 per cent gain for last year, bringing net consolidated profit up from BFr8bn ($234m) in 1990 to BFr9.6bn in 1991.

The bank, which is to raise its ordinary net dividend from BFr270 to BFr300, said gross income rose 10 per cent due to better margins on Belgian franc and foreign currency lending, and a higher return on shareholdings.

At the same time, Generale increased its transfer to reserves to BFr13bn last year to guard against a rise in bad domestic debts because of the slowdown in the Belgian economy. The parent bank in Belgium continued to prune its staff.

The group's consolidated overheads, however, showed a 5 per cent increase, partly because they include for the first time Banque Parisienne de Crédit, in which Generale raised its stake to 70 per cent at the end of last year.

Despite the domestic slowdown, private-sector lending rose by 10 per cent. However, loans to the Belgian public sector fell as the government pursued its austerity policy in a bid to qualify for European monetary union by the end of this century.

The group's consolidated balance sheet ended the year at BFr2,569bn, compared with BFr2,356bn at end-1990.

Sandvik earnings slide 29%

By John Burton in Stockholm

SANDVIK, the Swedish specialty steel and carbide group, yesterday reported a 29 per cent fall in profits after financial items, to SKr1.9bn ($315m) for 1991.

It plans a dividend increase to SKr9 from SKr8.50 despite the earnings decline. It also expects demand is likely to remain slack this year, with a possible further fall in profits if the recession deepens.

Sales fell 4 per cent to SKr17.5bn as orders dropped 5 per cent. All divisions experienced weaker earnings.

The cemented carbide group, the company's biggest unit, saw earnings slip by 25 per cent to SKr1.13bn. Earnings for the steel division tumbled by 42 per cent to SKr279m, while the saws and tools unit posted a SKr16bn loss against a profit of SKr91m in 1990.

The Process systems division had the smallest earnings decline, with a 16 per cent drop to SKr166m.

Sandvik said it would eliminate 1,000 jobs this year from its labour force of more than 26,000, and has reserved funds in its 1991 accounts for this restructuring measure.

● Kemira, the Finnish state-owned chemical group, yesterday reported a pre-tax loss of FM522m ($116m) for 1991, against a profit of FM139m in 1990. It blamed weak demand for titanium dioxides and fertilisers, two of its main product areas.

The price of fertiliser also fell in Europe last year due to growing imports from eastern Europe. Sales fell 5 per cent to FM10.8bn.

Profitability was also harmed by rationalisation measures, including the closure of facilities in Finland, Sweden, the UK and Belgium. However, Kemira expects results to show a recovery this year.

East Asiatic lifts payout despite fall

By Hilary Barnes in Copenhagen

THE EAST Asiatic Company, which has extensive interests in the Far East, North America and Europe, plans to step up its dividend, despite a fall in net profits to DKr355m ($55.1m), the lowest figure for six years.

Group sales increased by 13 per cent to DKr18.64bn. Earnings after net financial items were down from DKr513m to DKr400m and the group return on equity in the parent company fell from 8.8 to 7.8 per cent.

However the company, which expects net profits to start climbing again this year, is increasing its 1991 dividend from 5 per cent to 9 per cent.

Mr Henning Sparso, supervisory board chairman, said results at the North American graphics equipment and Plumrose food divisions were hit by the US recession.

Operating profits on North and central American operations fell from DKr167m to DKr81m, on sales down from DKr4.65bn to DKr4.31bn. In Europe, a 1990 operating loss of DKr89m became a profit of DKr133m, on sales up from DKr5.55bn to DKr6.48bn. In Asia, operating profits increased from DKr364m to DKr415m on sales up from DKr4.23bn to DKr5.09bn.

The group has five functional divisions: graphics equipment, trading, consumer products, Plumrose foods, and energy and property.

Mr Sparso said the dividend increase was "pedagogically correct", reflecting the board's conviction that the group was showing a generally sound and positive development.

He said the company was budgeting for a sales increase of 16 per cent for the current year, and an increase in profits before depreciation and financial items of around a third.

Eridania chairman forecasts advance

NET earnings at Eridania, the Italian agro-industrial company controlled by Ferruzzi group, should rise this year, although probably not by as much as the 12 per cent forecast at the operating level, said Mr Renato Picco, chairman, writes Haig Simonian.

Speaking on the eve of the Verona agricultural fair, Mr Picco stressed that the improved profits would mean this year's dividend would be at least maintained. However, he remained cautious as to the possibilities of a dividend increase.

Eridania's full figures and dividend will be released later this month. Mr Picco said sales had climbed to "just under L10,100bn ($8.03bn)" from L9,165bn in 1990, while gross operating profits had grown by around 15 per cent to over L1,000bn.

Foster's sees no strategy change as executive resigns

By Kevin Brown in Sydney

FOSTER'S Brewing, Australia's largest brewer, yesterday said its recovery strategy would be unaffected by the resignation of Mr Peter Bartels, chief executive, following a boardroom row.

Mr Nobby Clark, chairman, said Mr Bartels would be replaced by Mr Ted Kunkel, chairman of Molson Breweries, the Canadian brewer jointly owned by Foster's and the Molson Companies.

Mr Kunkel, a New Zealander, is a former Foster's executive who headed the group's Carlton and United Breweries subsidiary in Melbourne before being posted to Toronto in 1987 to head Foster's Carling O'Keefe subsidiary.

Mr Clark said Mr Kunkel was the unanimous choice of the board and suggested his previous experience with Foster's, during which he reported to Mr Bartels, would provide management continuity.

He said the appointment would not alter the company's outlook, its commitment to maximising value for all shareholders, or its strategy of selling non-core assets to become a single purpose brewer.

Analysts said Mr Kunkel was regarded as an outstandingly successful head of Molson Breweries, which was created in 1989 from a merger of Carling O'Keefe and Molson's brewing division.

The merger resulted in greater efficiency for both companies following the closure of a number of breweries, rationalisation of competing brands and increased exports to the US.

Peter Bartels: disagreed with dividend resumption

Mr Clark said Mr Bartels' decision to resign "was the result of an amicable arrangement initiated by him in the best interests of the company and its employees".

Mr Bartels is understood to have been prompted to resign by the board's decision to pay an interim dividend for the six months to December, when the group made a net profit of A$77m (US$59.2m).

The decision reversed the strategy adopted by Mr Bartels and Mr Clark, who persuaded the board to suspend dividend payments after Foster's reported a net loss of A$43m for 1990-91. Mr Bartels argued for a further delay in resuming dividend payments, as part of his attempts to strengthen the group's balance sheet.

He is understood to have had the support of Mr Clark and the group's independent directors.

However, the dividend was forced through after two directors representing Asahi Breweries of Japan, which owns 20 per cent of Foster's, voted with directors representing International Brewing Holdings (IBH), which owns 38 per cent of Foster's.

IBH is controlled by Mr John Elliott, a former chairman and chief executive of Foster's who built the group into an international food, finance and pastoral group under the name Elders IXL.

Mr Elliott resigned as chairman and chief executive in the wake of a record loss of A$1.3bn in 1989-90, but remains non-executive deputy chairman.

He has led boardroom opposition to Mr Bartels' strategy of strengthening Foster's balance sheet by not paying dividends and seeking the highest prices for asset sales.

The strategy was damaging to IBH, which relies on Foster's dividends for its sole source of income to meet interest payments on debt of about A$2.5bn.

Mr Elliott has also pressed for a capital return to shareholders from the proceeds of asset sales.

Mr Bartels survived an attempted coup in November after Asahi refused to vote for an IBH motion at Foster's annual meeting which would have prevented the re-election of independent directors supporting Mr Bartels.

However, Asahi's decision to support IBH demands for an interim dividend appears to have altered the balance of power in the boardroom in Mr Elliott's favour.

Japanese banks account for fraud

By Robert Thomson in Tokyo

FUJI Bank and Tokai Bank, two of the largest Japanese commercial banks, have revised their profits forecasts down sharply to account for fraudulent loan practices uncovered last summer and the continued weakness of the stock market.

Fuji Bank forecast pre-tax profits of Y140bn ($1.06bn) for the year ended March 31, a 26.3 per cent reduction from earlier predictions. In 1990 Fuji made pre-tax profits of Y204bn.

The bank said that it made a transfer to reserves to cover loan losses arising from fraud and weak stock prices but did not specify the amounts set aside.

The main loan loss from fraud is likely to arise from Y17bn loans advanced by finance companies which were secured on forged certificates of deposit supplied by a Fuji bank employee. Mr Taizo Hashida, chairman, resigned following the discovery of the fraud.

Tokai Bank, the seventh largest Japanese bank by assets, said that it had made a Y50bn specific provision to cover losses arising from a similar fraud uncovered in July.

The bank has said that it will assume full responsibility for Y62.5bn loans made by finance companies to Tokai clients, although it remains unclear whether any of the loans are recoverable.

The provision contributed to a 24.5 per cent cut in Tokai's profit forecast for the current financial year. The bank now expects to report pre-tax profits of Y83bn.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105	105½	+¼	6.76
ALBERTA PROVINCE 9 3/8 95	600	107⅛	107⅝	+¼	6.94
AUSTRIA 8 1/2 00	400	105	105½	+¼	7.63
BANK OF TOKYO 8 3/8 96	100	103¾	105¼	+¼	7.41
BELGIUM 9 5/8 98	250	109⅝	110⅛	+¼	7.64
BFCE 7 3/4 97	150	101⅞	102⅜		7.32
BNP 8 5/8 94	300	105⅛	105⅝	+⅛	6.12
BRITISH GAS 8 3/8 99	350	103¾	104¼	+⅛	7.71
CANADA 9 96	1000	107⅛	107⅝	+⅛	6.78
CARCO 9 1/4 96	650	102½	103	+⅛	8.42
CCCE 9 1/4 95	300	107¼	107¾	+¼	6.44
COUNCIL EUROPE 8 96	100	103	103½	+⅛	7.16
CREDIT FONCIER 9 1/2 99	300	110	110½	+⅛	7.59
DENMARK 8 1/4 94	150	104⅜	104⅞		6.23
DENMARK 9 1/4 95	1571	107⅛	107⅝	+⅛	6.53
ECSC 8 1/4 96	195	104¼	104¾	+⅛	7.14
EEC 8 1/4 96	100	104	104½	+⅛	7.12
EIB 7 3/4 96	250	102⅝	103⅛	+⅛	6.98
EIB 9 1/4 97	1000	108⅜	108⅞	+⅛	7.35
ELEC DE FRANCE 9 98	200	106⅝	107⅛	+⅛	7.54
EURO CRED CARD TST 9 94	325	103¾	104¼	+⅛	7.33
EUROFIMA 9 1/4 96	100	107	107½	+⅛	7.18
EXPORT DEV CORP 9 1/2 98	150	109⅛	109⅝	+⅛	7.59
FINLAND 7 7/8 97	200	101⅞	102⅜	+⅛	7.32
FINNISH EXPORT 9 3/8 95	150	107¼	107¾	+⅛	7.06
FORD CAPITAL 9 3/4 97	150	105⅞	106⅜	+⅛	8.30
GEN ELEC CAPITAL 9 3/8 96	300	107⅛	107⅝	+⅛	7.28
GMAC 9 1/8 96	200	104⅜	104⅞	+⅛	7.85
GUINNESS FINANCE 8 94	200	103⅛	103⅝	+⅛	6.43
IBM INTL FIN 7 3/4 94	200	103⅛	103⅝	+⅛	6.11
IND BK JAPAN FIN 7 7/8 97	200	101⅞	102⅜	+⅛	7.50
INTER AMER DEV 7 5/8 96	200	102	102½	+⅛	7.07
ITALY 8 1/2 94	1500	105⅛	105⅝	+⅛	6.09
JAPAN DEV BK 8 94	150	103⅝	104⅛	+⅛	6.04
KANSAI ELEC PWR 10 98	350	109⅝	109⅞	+⅛	7.24
LTCB FIN 8 97	200	100⅞	101⅜	+⅛	7.71
NEW ZEALAND 9 94	850	105⅝	106	+⅛	6.49
NIPPON CRED BK 10 3/8 95	150	108⅝	109⅛	+⅛	7.37
NIPPON TEL & TEL 9 3/8 95	200	107⅛	107⅝	+⅛	6.57
ONTARIO 8 1/2 01	600	102⅛	102⅝	+⅛	8.12
ONTARIO HYDRO 11 5/8 94	200	109⅝	110⅛		6.26
OSTER KONTROLLBANK 8 1/2 01	200	104⅝	105	+⅛	7.77
PETRO-CANADA 7 1/4 96	200	100½	101	+⅛	7.17
QUEBEC HYDRO 9 3/4 98	150	108⅝	109⅛	+⅛	7.99
QUEBEC PROV 9 98	200	105⅛	105⅝	+⅛	7.90
SAINSBURY 9 1/8 96	150	105⅝	106	+⅛	7.66
SAS 10 99	200	105⅞	106⅜	+⅛	8.83
SBAB 9 1/2 95	500	107⅛	107⅝	+⅛	6.89
SNCF 9 1/2 98	150	109⅛	109⅝	+⅛	7.57
STATE BK NSW 8 1/2 96	200	103	103½	+⅛	7.64
SWEDISH EXPORT 8 3/8 96	700	104⅛	104⅝	+⅛	9.56
TOKYO ELEC POWER 8 3/4 96	300	105⅛	105⅝	+⅛	7.24
TOKYO METROPOLIS 8 1/4 96	200	104⅛	104⅝	+⅛	7.16
WORLD BANK 8 3/8 99	1500	105⅛	105⅝	+⅛	7.53
WORLD BANK 8 3/4 97	1500	107⅛	107⅝	+⅛	7.09
XEROX CORPN 8 3/8 96	100	101⅞	102⅜	+⅛	7.98

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN AMRO 8 1/2 96	500	101¼	101¾	-⅛	8.15
AUSTRIA 6 3/4 99	750	95¼	95¾	+⅛	7.64
BNP 8 1/4 01	200	102⅛	103⅛	+⅛	7.82
DEUTSCHE FINANCE 7 1/2 95	1000	98⅞	98⅞	+⅛	7.94
EIB 5 3/4 98	400	90⅞	90⅞		7.86
EIB 6 1/4 99	600	92	92½	+⅛	7.79
EUROFIMA 8 3/4 96	400	103¾	103¾		7.82
FIRST INTERSTATE 5 3/4 96	100	86¾	87¼	+⅛	9.73
FORD MOTOR CREDIT 9 1/4 94	300	100⅞	100⅞	+⅛	9.09
IND BK JAPAN FIN 5 5/8 96	200	91⅛	91⅝		8.20
INTER AMER DEV 9 00	300	106⅞	107⅜		7.88
IRELAND 6 1/2 99	300	92⅛	92⅝	-⅛	7.99
LUFTHANSA INT FIN 5 7/8 98	500	89⅛	89⅝		8.17
MAT BK HUNGARY 10 3/4 98	500	100	100½		10.72
SWEDEN 6 1/8 98	300	91⅛	91⅝		7.93
TURKEY 10 3/4 96	500	101⅛	101⅝		10.36
WORLD BANK 0 15	2000	21⅛	21⅝	-⅛	6.70
WORLD BANK 5 3/4 96	300	92⅝	93⅛	+⅛	7.93
WORLD BANK 8 3/4 00	1250	105⅛	105⅝		7.85

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	91	92¼		6.86
AUSTRIA 4 5/8 98	100	90¼	91		[illegible]
CHUBU ELEC POWER 6 3/4 01	300	100	100¼		6.74
COUNCIL EUROPE 4 3/4 98	250	91	91¼		6.63
EEC 5 1/2 00	100	91	91½		6.90
EIB 6 1/2 98	600	100¼	100½		6.44
ELEC DE FRANCE 7 1/4 06	100	103¼	104½		6.85
FINLAND 5 3/8 95	150	95¼			6.80
GENERAL MOTORS 7 1/2 95	100	99½			7.68
JAPAN DEV BANK 5 1/2 94	100	96	96¼	-⅛	7.82
KOBE 6 3/8 01	[illegible]	98¼	99	+⅛	6.35
NEW ZEALAND 4 7/8 99	200	88	88½	-⅛	7.13
QUEBEC HYDRO 5 08	100	76	77		7.65
WORLD BANK 5 03	150	86¼	87		6.76
WORLD BANK 7 01	600	103¼	103¾	-⅛	6.51

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	99¼	99½		5.25
CREDIT FONCIER 5 1/4 94	20000	99⅝	99⅞		5.49
DENMARK 7 95	40000	104⅛	104⅜	-⅛	5.27
EIB 4 5/8 94	40000	99⅛	99⅜	-⅛	4.93
ELEC DE FRANCE 5 5/8 96	20000	100⅛	100⅜	-⅛	5.52
FINLAND 6 3/4 96	50000	103½	103¾		5.70
INTER AMER DEV 7 1/4 00	30000	109⅛	109⅜	-⅛	5.78
KANSAI ELEC PWR 4 5/8 94	60000	98⅛	98⅜	-⅛	5.57
NIPPON TEL & TEL 5 7/8 96	50000	101⅞	102	-⅛	5.42
NORWAY 5 1/8 95	50000	99⅝	99⅞		5.26
SNCF 6 3/4 00	30000	106⅞	107⅛		5.66
SWEDEN 5 5/8 96	20000	100⅛	101	-⅛	5.45
WORLD BANK 6 3/4 00	50000	107⅛	107⅝		5.58

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINSBK INT 7 94 LFr	600	94	95		9.93
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.17
WORLD BANK 8 96 LFr	1000	96¼	97¼		8.97
ENERGIE BEHEER 8 3/4 98 Fl	500	103¼	103¾	+⅛	8.09
UNILEVER 9 00 Fl	500	105	105½	+⅛	8.14
ALBERTA PROVINCE 10 5/8 96 C$	500	104¼	104¾	-⅛	9.31
BELL CANADA 10 5/8 99 C$	150	104¼	105¼	-⅛	9.67
BRITISH COLUMBIA 10 96 C$	500	102¾	102¾	-⅛	9.27
EIB 10 1/8 98 C$	130	103¾	104¼	-⅛	9.28
ELEC DE FRANCE 9 3/4 99 C$	275	101⅞	102⅜	-⅛	9.37
FORD CREDIT CANADA 10 94 C$	100	99⅛	100⅛	-⅛	10.00
GEN ELEC CAPITAL 10 96 C$	300	102⅛	102⅝	-⅛	9.31
KFW INT FIN 10 01 C$	400	102⅜	102⅞	-⅛	9.51
NIPPON TEL & TEL 10 1/4 99 C$	200	103⅝	104⅛	-⅛	9.54
ONTARIO HYDRO 10 7/8 99 C$	500	105⅛	105⅝	-⅛	9.80
OSTER KONTROLLBANK 10 1/4 99 C$	150	104⅛	104⅝	-⅛	9.43
QUEBEC PROV 10 1/2 98 C$	200	103⅝	104⅛	-⅛	9.72
BELGIUM 9 1/8 96 Ecu	1250	101⅞	102	-⅛	8.58
CREDIT LYONNAIS 9 96 Ecu	125	99⅞	100⅛		9.17
DENMARK 7 5/8 96 Ecu	250	94⅞	95⅜	+⅛	9.28
EEC 7 5/8 94 Ecu	200	97⅛	97⅝	+⅛	9.29
EIB 10 97 Ecu	1125	106¼	106¾	+⅛	8.30
FERRO DEL STAT 10 1/8 98 Ecu	500	106⅛	106⅝		8.73
ITALY 10 3/4 00 Ecu	1000	111⅝	112	+⅛	8.67
UNITED KINGDOM 9 1/8 01 Ecu	2750	104¼	104¾	+⅛	8.43
BP AMERICA 12 1/4 96 A$	100	107⅛	107⅝	+⅛	9.99
COMM BK AUSTRALIA 13 3/4 99 A$	100	114⅞	115⅜	+⅛	10.74
EKSPORTFINANS 12 3/8 95 A$	75	107⅛	108⅛	+⅛	9.44
EUROFIMA 14 5/8 94 A$	73	110⅞	111⅜		8.84
MCDONALDS CANADA 15 95 A$	100	113⅛	113⅝		9.99
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅝	110⅛		9.07
STATE BK NSW 14 1/4 99 A$	100	115⅞	116⅜		11.01
UNILEVER AUSTRALIA 12 98 A$	150	107⅝	108⅛	+⅛	10.22
VOLKSWAGEN INTL 15 94 A$	150	110½	111	+⅛	9.27
ABBEY NATL TREAS 13 3/8 95 £	100	107⅛	107⅝		10.35
ALLIANCE & LEICS 11 3/8 97 £	100	102⅛	102⅝	-⅛	10.76
BRITISH GAS 12 3/4 95 £	300	106⅛	106⅝		10.11
BRITISH LAND 12 1/2 16 £	150	106⅛	106⅝	-⅛	12.06
DEUTSCHE BK FIN 11 94 £	225	101⅞	102		10.04
EIB 10 97 £	536.5	100⅛	101		9.79
FINLAND 10 1/8 97 £	100	100⅛	101		9.99
ITALY 10 1/2 14 £	400	102⅞	103⅛	-⅛	10.16
LAND SECS 9 1/2 07 £	200	88⅛	88⅝	-⅛	11.15
NORWAY 10 1/2 94 £	200	100⅞	101¼		9.96
ONTARIO 11 1/8 01 £	100	104⅞	105⅛		10.26
SEVERN TRENT 11 1/2 99 £	150	103⅛	103⅝	-⅛	10.78
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅛	106⅝	-⅛	10.60
TOKYO ELEC POWER 11 01 £	150	105⅛	105⅝		10.08
WORLD BANK 11 1/4 95 £	100	103⅛	103⅝	+⅛	9.98
ABBEY NATIONAL 0 96 NZ$	100	66⅛	67⅛		9.44
BNP 12 96 NZ$	50	108⅛	109⅛	+⅛	9.32
CEPME 10 95 FFr	2000	102⅛	102⅝	+⅛	9.01
ELF-AQUITAINE 9 99 FFr	600	100⅛	100⅝	-⅛	8.91
EURATOM 7 5/8 98 FFr	500	92⅛	93⅛	-⅛	9.18

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.49	99.63	10.7675
BANCO ROMA 0 03 01	200	92.88	94.01	4.4050
BELGIUM 1/16 97 DM	500	99.96	100.06	9.6875
BFCE -0.02 96	350	100.19	100.29	4.9175
BNP 05	300	97.67	98.65	5.5625
BRITANNIA 1/10 96 £	150	99.05	99.25	10.7875
CCCE 06 ECU	200	99.92	100.02	9.8594
CITIZENS FED 0.15 96	100	99.42	99.88	5.0000
CREDIT FONCIER -1/16 98	300	100.15	100.25	5.3438
DENMARK -1/8 96	1000	99.79	99.89	4.1875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.04	9.3938
ELEC DE FRANCE 1/8 99	400	101.54	102.20	5.2500
FERRO DEL STAT 94	200	101.06	101.42	4.4375
HALIFAX 1/10 94 £	200	99.92	100.02	10.5375
IRELAND 98	300	99.65	99.75	4.4600
ITALY 00	500	100.99	101.28	4.5000
LEEDS PERMANENT 1/8 96 £	200	99.35	99.54	11.0000
LLOYDS BANK 1/10 PERP S 3	600	79.00	80.86	4.5375
MITSUI FIN ASIA 1/8 96	100	99.97	100.09	5.2500
NAT WEST FIN 3/16 05	400	93.07	94.26	5.5000
NEW ZEALAND 1/8 96	250	100.24	100.34	4.8130
RENFE 98	500	100.06	100.17	5.0000
SOCIETE GENERALE 96	300	99.81	99.91	5.6250
STATE BK VICTORIA 0.05 99	125	98.77	99.02	4.3625
UNITED KINGDOM -1/8 96	4000	100.00	100.04	4.2500
YORKSHIRE BS 1/10 94 £	165	99.58	99.68	10.5375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	129⅞	131½	+37.17
CHUBB CAPITAL 6 98	250	86	102⅞	103⅞	
EASTMAN KODAK 6 3/8 01	300	50.67	101⅛	102¼	+19.75
GOLD KALGOORLIE 7 1/2 00	65	1.0554	84⅛	85½	+45.91
HANSON 9 1/2 06 £	500	2.5875	101⅛	102¼	+19.25
HAWLEY 6 02 PREF	400	19.1	92	94⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	117⅛	118⅛	
LAND SECS 6 3/4 02 £	84	6.72	82⅛	83⅛	+27.75
LASMO 7 3/4 05 £	90	5.64	76⅛	77⅛	
MITSUI BANK 2 5/8 03	200	2337½	66⅛	68⅛	+20.59
MOUNT ISA FIN 6 1/2 97	100	2.283	95⅛	96⅛	+15.56
OGDEN 6 02	85	39.077	82⅛	83⅛	+38.87
[illegible] 3 1/2 96	200	1301.8	102⅛	104	+4.25
SMITH & NEPHEW 4 02 £	90	1.775	122	123⅛	+48.83
SUMITOMO BANK 3 1/8 04	300	3606.9	64	65	+33.75
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	90⅛	91⅛	
THORN EMI 5 3/4 04 £	103	7.45	122⅛	123⅛	+11.98

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

De Beers disappoints with 20% decline

By Kenneth Gooding, Mining Correspondent

DE BEERS, the South African mining group which dominates the world's rough (uncut) diamond market, announced yesterday a 20 per cent fall in 1991 net attributable earnings, a result that slightly disappointed most analysts.

However, as expected, De Beers proposed a marginal increase in total dividends, from 111.3 US cents per linked unit, to 112.1 cents.

Excluding the share of retained profits of associates, net attributable profits were $763m or 201 cents per linked unit against $950m or 250 cents. Since March 1990 the group has split its operations into De Beers Consolidated in South Africa and De Beers Centenary in Switzerland and shareholders hold linked units.

Including the share of retained profits of associates, combined earnings fell from $1.317bn or 347 cents to $1.078bn or 283 cents.

Mr Julian Ogilvie Thompson, chairman, said it was encouraging that De Beers sales of rough diamonds were down by only 6 per cent from the 1990 level and "that the combined profits of De Beers/Centenary have held up as well as they have". He would give no forecast for 1992 but said world diamond cutting centres were in a sound financial position and retail diamond stocks were not believed to be high.

The combined diamond account at $803m, against the previous year's figure of $911m, showed a 12 per cent decrease. Analysts said diamond margins were squeezed from 21.9 per cent to 20.4 per cent last year.

As part of its self-imposed role of stabilising the market, De Beers built up its diamond stocks by $350m to $3.034bn.

Combined income from investments outside the diamond industry was lower at $212m, against $227m, and interest income was $209m, compared with $282m, reflecting lower cash balances. Prospecting and research expenditure came to $116m, against a figure of $114m.

The combined share of retained profits of associates was $315m against $367m, while the combined share of extraordinary losses of associated companies was $106m, against a profit of $112m.

Drexel $1.3bn payout plan cleared

By Nikki Tait in New York

THE DREXEL Burnham Lambert saga has drawn to a close as claimants against the once mighty but now defunct, US investment bank gave their support to a $1.3bn "global settlement plan" and a US judge approved it.

The aim is to settle the hundreds of civil claims and lawsuits brought against the investment bank after it filed for Chapter 11 Bankruptcy Protection in February 1990. Under the scheme, Mr Michael Milken, former head of Drexel's junk bond department, would contribute another $500m, while some 200 of his former colleagues would provide $300m from their employee partnership interests.

Added to $100m of insurance money and the $400m which Mr Milken has paid into a Securities and Exchange Commission disgorgement fund, this will create a $1.3bn pool. The money will be split between the claimants under court and SEC supervision.

The approvals came from two federal agencies, the Resolution Trust Company and the Federal Deposit Insurance Corporation.

They had brought multi-billion dollar suits against Drexel and Mr Milken on behalf of failed savings and loan associations, which had been Drexel customers.

Last week the FDIC appeared to jeopardise the settlement when it said it could not approve such a plan without more information about the settling parties.

However, in court, the agency's representative said the board had approved the deal. Officials explained that additional provisions had been attached to the agreement providing for the release of some further information, and allowing the agency to withdraw under certain circumstances.

The Manhattan court heard that settling claimants included the California Insurance Commissioner, who had sued over the collapse of Executive Life, a large Californian life company which was a Drexel customer. Also included are the class-action suits on behalf of individual investors.

The 200 former Drexel employees have yet to sign up on their portion of the deal, and the judge acknowledged that there was some disgruntlement over how their relative contributions should be calculated. However, employees who do not back the scheme and choose to continue litigation will lose the right to immunity from any Drexel-related suits in the future.

Separately, a bankruptcy court judge was expected to approve the Drexel "reorganisation" plan. This essentially winds up its affairs, leaving only a small business to manage the least liquid assets.

Profit turnround at Paramount

By Alan Friedman in New York

PARAMOUNT Communication, the publishing and entertainment group, produced a modest first-quarter net profit of $18.4m, helped by earnings from its Hollywood studio and from television and theatrical operations.

The profit for the three months to January 31 translates into 16 cents a share and compares with a $7.3m loss for the same period a year ago. In the 12 months to last October Paramount suffered a more than 50 per cent drop in net income, to $122.2m or $1.03 a share.

Revenues for the first quarter of 1992 improved 19 per cent to $1.1bn.

At the operating level, Paramount's publishing business lost $29.7m in the first fiscal quarter of 1992, compared with a loss of $40.8m in the same quarter a year ago.

The publishing loss was reduced thanks to gains in textbook and international book sales.

The entertainment division earned $73.2m in operating profit in the first quarter, up from $28.2m a year ago. The earnings were helped by the box office success of two Paramount films: The Addams Family and Start Trek VI, which together took in $180m.

Earnings were also lifted by home video, pay cable television and some television stations. Television programming earned less than a year ago. The renovated Madison Square Garden began contributing to profits in the first fully operational period since its relaunch.

Mr Martin Davis, Paramount chairman, said the results were encouraging. But Mr Davis is said by many in the entertainment industry to be casting about for a new acquisition that would offer a lift to Paramount, which is changing the strategy of its Hollywood studio under the new leadership of Mr Brandon Tartikoff, a former NBC executive who joined last year.

On Wall Street, Paramount's share price declined by $⅜ to $46⅞ at midday trading.

Net income up at Dell Computer to $15.4m

By Martin Dickson in New York

DELL Computer, the fast-growing US personal computer manufacturer, yesterday reported a 78 per cent rise in fourth-quarter net income, helped by a particularly strong increase in European sales.

Dell has enjoyed remarkable growth over the past few years by selling IBM-compatible PCs direct to the customer, cutting out middle-men. But it faces increasingly tough competition in the US from rivals imitating its strategy. For the fourth quarter the company reported net income of $15.4m, or 62 cents a share, on sales of $285.7m, compared with income of $8.6m, or 42 cents a share, on sales of $167.3m in the fourth quarter of last year.

For the full year it reported income of $50.9m on sales of $890m, compared with income of $27.2m on sales of $546m the previous year.

Dell, which has been expanding rapidly in Europe, said international revenues in the fourth quarter roughly doubled to $119.4m, while domestic sales rose 56 per cent to $166.3m.

Despite a drop in gross margins, due to price cutting, the company said net income as a percentage of sales rose from 5.2 to 5.4, due to a drop in operating expenses, tax benefits associated with production from the company's new plant in Ireland and strong management of working capital.

Normandy Poseidon rises 12%

By Kevin Brown

NORMANDY Poseidon, Mr Robert Champion de Crespigny's Australian resources group, yesterday announced a 12.5 per cent increase in net profits to A$14.4m (US$10.8m) for the six months to the end of December.

However, the group said the result was not comparable with the earlier period because of the merger of Normandy Resources and Poseidon in May as part of an attempt by Mr de Crespigny to improve the group's image.

In addition, the results of three subsidiaries – Gold Mines of Kalgoorlie, Mt Leyshon Gold Mines and Command Petroleum Holdings – have been consolidated for the first time.

Mr de Crespigny said the group's operating profit of A$59m on sales revenue of A$293m was "a very pleasing result in the light of weak commodity prices".

Poseidon Gold (Posgold), the group's 76 per cent-owned gold mining arm, reported a consolidated profit of A$53.6m, an increase of 22 per cent over the earlier period.

However, Posgold incurred a tax charge of A$20.5m, following the removal by the federal government of a tax exemption for gold mining.

Posgold announced during the period that it plans to merge with Mt Leyshon Gold Mines and ACM Gold, formerly part of Australian Consolidated Minerals, which is controlled jointly by Normandy Poseidon and Western Mining Corporation.

Mr de Crespigny said the merger would result in the creation of a gold company with "strong fundamentals and improved marketability of shares" which should make it attractive to investors.

Shareholders will vote on the proposed merger later this month.

In a separate announcement, ACM Gold said net profits fell to A$3.6m for the six months to December, compared with A$12.8m in the previous first half. Revenue was down from A$119m to A$102m.

The company said the result was struck after abnormal charges of A$14.9m relating to the write back of future tax benefits which are no longer certain of recovery, and provisions against the carrying value of some assets and investments.

MGM battle takes another turn

By Alan Friedman

THE battle for control of MGM, the Hollywood studio, took yet another turn yesterday when a Delaware court confirmed in a ruling that Crédit Lyonnais, the French state bank, had acted properly to remove Mr Giancarlo Parretti, the Italian financier, from the board of the financially-crippled MGM.

Crédit Lyonnais also dismissed as irrelevant a claim by Mr Parretti last weekend that a Rome judge had ordered the sequester of a controlling shareholding of MGM.

Mr Parretti fell out with Crédit Lyonnais last year after it emerged that the French bank had secretly provided about $1bn of loans to back his MGM takeover in 1990.

Last weekend, he claimed that a Rome judge had named the brother of Mr Gianni De Michelis, Italy's Socialist foreign minister, as the new chairman of MGM. Mr Parretti argued that the Rome court had jurisdiction over MGM, but Crédit Lyonnais yesterday said the actions taken in Italy "should have no effect on the direction, management or operation" of MGM, which is incorporated in Delaware, not Italy.

"Mr Parretti's actions in Italy are a blatant effort to mislead the Italian courts. His attempt to find a forum which will decide in his favour constitutes no more than an unfortunate international public relations game," the bank said.

Crédit Lyonnais in New York claimed Mr Parretti had consented to the entry of the final Delaware court judgment against him, thereby conceding that he had been properly removed from the MGM board.

Haeco increases earnings 10.8% to HK$320.6m

By Simon Davies in Hong Kong

HONG Kong Aircraft Engineering Company (Haeco), the Swire Pacific group company which holds a monopoly on commercial aircraft maintenance and engineering in Hong Kong, recorded a 10.8 per cent increase in net profit in 1991 to HK$320.6m ($41.36), up from HK$289.4m in 1990.

Haeco achieved a 12.8 per cent improvement in turnover to HK$1.806bn, despite the weak traffic levels resulting from the Gulf war. However, profit margins remained under pressure from the tight labour market.

Losses were suffered by the 29 per cent-owned associate Asta Aircraft Services, an Australian aircraft maintenance company.

This was acquired in February 1991 to get around capacity constraints in Hong Kong and cap the impact of the brain drain on ethnic Chinese engineering staff, by providing emigration opportunities.

Mr Peter Sutch, chairman, said big contracts had been awarded to Asta by All Nippon Airways and British Airways, and a new hangar had been commissioned. The company is expected to be marginally profitable in 1992.

Haeco's Hong Kong operations saw an increased level of line maintenance work in 1991, while airframe maintenance benefited from the acquisition of five Boeing 747-400's by Swire group airline Cathay Pacific last year.

Looking forward, Mr Sutch said the company's airframe maintenance facilities were already fully committed for 1992, while overhaul work should remain at "satisfactory" levels.

Haeco recommended a final dividend of 58 cents, representing a full-year pay-out of 81 cents, compared with one of 76 cents in 1990.

AEG's office equipment unit sold to adviser

By Christopher Parkes in Bonn

AEG, the Daimler-Benz subsidiary, has sold the remnants of its domestic Olympia office equipment division to Mr Jürgen Sievers, a consultant called in last year to advise the German engineering company on how to get rid of the loss-making business.

Mr Sievers will take over at the end of this year when the planned run-down of manufacturing at Wilhelmshaven in north Germany is completed. The company, currently AEG-Olympia, will be re-named Olympia Office.

The handover, on undisclosed terms, will ensure the survival of one of the oldest brands in office equipment.

However, most of the jobs that Olympia provides will go. The German workforce, formerly 2,600 people, will be cut to 525 by the new owner.

Under the deal, Mr Sievers will take over the German distribution and service network. Most products, including typewriters, copiers, facsimile machines and calculators, will be supplied from overseas factories.

Elbit turns in 61% advance

ELBIT Computers, an Israeli maker of military and medical computer systems quoted on Nasdaq in the US, yesterday announced a 61 per cent rise in net profits in 1991 to $35.6m, on sales up 13 per cent to $410m, writes Hugh Carnegy in Jerusalem.

Elbit, a subsidiary of Elron, a pioneering Israeli high-technology group, said it had bucked a recent declining trend for Israel's big defence-based industries by concentrating on military electronics where markets have held up.

It has also begun to reap the full benefits of a move into non-military applications. Some $8m of the 1991 profit was attributable to the sale of shares in Elscint. Elbit became a majority shareholder in 1989 in Elscint, an Elron stablemate which makes computer-based medical imaging systems.

Elscint posted a 27 per cent rise in profits in 1991 to $17.1m on sales of $191m.

BHP appoints chairman

BROKEN Hill Proprietary, the Australian steel, oil and minerals group, yesterday announced that Mr Brian Loton, its deputy chairman, will be appointed chairman from June 1, AP-DJ reports from Melbourne.

INTERNATIONAL CAPITAL MARKETS

PSBR forecast rekindles fears over gilts issuance

By Sara Webb in London and Karen Zagor in New York

UK GOVERNMENT bonds dropped sharply on Mr Norman Lamont's Budget statement, which forecast a public sector borrowing requirement of £28bn. The forecast was well above market expectations, and rekindled worries about the level of new issuance in the gilts market next year.

Gilts started the day on a strong note, helped by the firm US Treasury bond market overnight. The market's strength allowed the Bank of England to sell over £300m of the tap issues which it announced on Monday.

Three tranches were sold out: £100m of 8½ per cent Treasury stock due 1994; £100m of 9¾ per cent Exchequer stock due 1998; and £100m of 9¼ per cent Conversion stock due 2005. The Bank also sold some of the £200m tranche of 9 per cent Conversion stock due 2000.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	99.8835	+0.320	10.02	10.08	10.17
BELGIUM		9.000	06/01	101.8500	-	8.58	[illegible]	[illegible]
CANADA *		8.500	04/02	98.3300	-0.150	8.78	8.57	8.24
DENMARK		8.000	11/00	[illegible]	-0.020	8.80	8.58	8.52
FRANCE	BTAN	8.500	03/97	[illegible]	[illegible]	8.75	8.69	8.66
	OAT	8.500	11/02	99.8500	-0.120	8.51	8.44	[illegible]
GERMANY		8.000	01/02	100.7800	+0.050	7.88	7.82	7.87
ITALY		12.000	02/02	99.3500	+0.100	12.11†	12.14	12.27
JAPAN	No 119	4.800	06/99	95.3850	[illegible]	5.70	5.78	5.71
	No 129	6.400	03/00	105.3947	-0.050	5.43	5.45	5.36
NETHERLANDS		8.250	02/02	100.1900	[illegible]	8.21	8.21	8.31
SPAIN		[illegible]	01/02	103.6700	[illegible]	10.66	10.68	10.86
UK GILTS		10.000	11/96	101-10	-3/32	[illegible]	9.46	9.50
		8.750	08/02	101-14	-6/32	9.53	9.33	9.36
		9.000	10/08	97-11	-9/32	9.32	9.17	9.17
US TREASURY *		7.500	[illegible]	100-13	-7/32	7.44	7.45	[illegible]
		8.000	[illegible]	101-04	-10/32	7.90	7.96	[illegible]

London closing, *New York closing. Yields: Local market standard
† Gross (including witholding tax at 12.5 per cent payable by non-residents.)
Prices. US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

However, the gilt market's gains were overturned by the Budget announcement in the afternoon. Mr Lamont's forecast of a PSBR of £14bn for the current financial year was higher than the expected figure of £12bn, and his forecast of a PSBR of £28bn for 1992-93 was between £2bn and £4bn higher than many City of London economists had predicted.

Traders warned that a PSBR of £28bn would mean gross gilts issuance of about £35bn, or just under £3bn in gilts issuance a month in 1992-93, compared with an average of £1.3bn in the current tax year.

The Bank of England announced yesterday that in future it would increase the size of its regular gilt auctions to £2bn-£3bn every other month. In the past, it has issued between £1bn and £2bn at auction.

The benchmark 11¾ per cent gilt due 2003-07 opened at 114$\frac{25}{32}$ and traded down to 114¼ by late afternoon. Among shorter-dated issues, the 10 per cent gilt due 1994 slipped from 100¾ to 100$\frac{17}{32}$ as traders said prospects for an early cut in interest rates had evaporated due to sterling's weakness.

■ US TREASURY bonds drifted lower yesterday afternoon in exceptionally light trading as the market continued to wait for the economic data scheduled for release at the end of the week.

Although bargain-hunting helped bonds move sharply higher late on Monday, the momentum failed to carry through to morning trading. The Treasury's benchmark 30-year bond edged $\frac{1}{32}$ higher at mid-session but by late trading had fallen $\frac{1}{32}$ to 101$\frac{1}{32}$ to yield 7.89 per cent. Shorter-dated maturities posted slimmer losses.

The Federal Reserve refrained from entering the open market yesterday. Fed Funds were changing hands at 3¾ per cent during the Fed's usual intervention period.

Investors are expected to remain on the sidelines for a few more days ahead of the release of a number of economic reports including retail sales, car sales and chain store sales on Thursday and Friday.

On Friday, the US producer price index for February will be released.

Players expect the index to rise by 0.2 per cent.

■ JAPANESE government bonds generally ended on a firmer note in the cash and futures markets yesterday. However, traders said the benchmark No 129 underperformed the market as bondholders switched out of the issue to buy the World Bank's new global yen bond.

The yield on the No 129 traded in a range of 5.40 per cent to 5.445 per cent in Tokyo, and ended at 5.41 per cent, little changed on its opening level of 5.415 per cent.

Meanwhile, the June futures contract rose from its opening level of 102.32 to close at 102.40, the high of the day.

Dealers said the market was waiting for a cut in the Official Discount Rate towards the end of this week or next.

■ THE GERMAN government bond market drifted back to close slightly lower in light trading.

The Liffe bund futures contract opened at 88.55 and reached a high of 88.64 before closing at 88.49.

Only about 24,000 contracts were traded, well below average. Dealers said the market was waiting for further developments on the wage front to give it a clear direction.

● Kokusai Securities, a mid-sized Japanese securities house, announced Tuesday that it will close one branch and three sales offices to reduce costs.

The branch and one of the sales offices are located in Kobe, while the two other sales offices are in Tokyo and Hokkaido.

Operations in Kobe will cease Friday, those in Tokyo end on March 23 and in Hokkaido on April 19.

Morgan Stanley sets up operating committee

By Martin Dickson in New York and Richard Waters in London

MORGAN STANLEY, the US investment bank, has promoted Mr John Mack, head of its fixed income division, to lead a new committee which will take on responsibility for day-to-day running of the group.

The appointment is part of a management reorganisation which also includes the unusual move of running the group's worldwide government securities business – including US Treasuries – to London. Morgan Stanley says the reorganisation is designed to allow it to make decisions more quickly and strengthen its international businesses.

The new operating committee will remove much of the burden of routine day-to-day decision-making from Mr Richard Fisher, Morgan Stanley chairman, and Mr Robert Greenhill, its president. They, and other inside members of the group's board, will retain responsibility for strategy and policy.

Mr Mack, 47, will thus become roughly the equivalent of chief operating officer. Other members of the operating committee will be the heads of Morgan Stanley's largest divisions – equity, fixed income, investment banking, asset management and finance, administration and operations – and the heads of the London and Tokyo offices.

Mr Mack will be succeeded as head of fixed income by Mr Peter Karches, aged 40.

The firm is also relocating four managing directors from New York to London and Tokyo, and as part of this change is moving global responsibility for some businesses from New York to London. Its ability to do so reflects the increasingly global nature of capital markets.

The head of European operations, Mr Timothy Hultquist, is returning to New York where he will continue to head the group's foreign exchange business, and will take on responsibility for commodities.

Norway introduces Y50bn offering

By Tracy Corrigan

ACTIVITY in the Eurobond market was spread across a broad range of sectors yesterday.

Following the success of the World Bank's first global offering in the Euroyen market, lead manager IBJ brought a five-year deal for the Kingdom of Norway. The Y50bn deal, fungible with an outstanding Y100bn deal, met some pent up demand for the 10-year World Bank deal, but was mainly sold to a different base, due to the difference in maturity.

INTERNATIONAL BONDS

The World Bank deal, which met strong demand particularly from European investors, was priced yesterday at the tighter end of the indicated range, at a spread of 19 basis points below the yield on the No 129 Japanese government bond. The deal was already largely placed and tightened a little further yesterday to around 20 basis points below the JGB yield.

In the French franc sector, the Republic of Finland issued a large FFr5bn deal, via Banque Nationale de Paris. Finland is spreading its fund raising activities across a broad range of markets in an effort to meet its heavy borrowing schedule without deterring investors, given that the borrower is considered a declining credit and faces serious economic problems. However, the deal was considered quite generously priced at 35 basis points above the comparable French government bond yield. Finland completed a successful deal in the sterling market last week, which has somewhat blunted the memory of a difficult Ecu transaction.

In the dollar sector, Credit Suisse First Boston launched a $300m five-year deal for General Electric, the triple-A rated US company, which was considered reasonably priced at 30 basis points above the five-year US Treasury. Last week, CSFB launched several corporate deals in the dollar sector which were considered very aggressively priced and suffered when the market fell on data suggesting the economy was pulling out of recession.

Although prices have since rallied, the dollar market remains rather difficult, with some uncertainty over the direction of interest rates. However, there is still a broadly positive view on the dollar, which is helping to support European demand.

The GE deal was bid at 99.85 at the end of trading, a little below its fixed reoffer level of 99.91.

Elsewhere, the French government took the unusual step of adding to an outstanding Ecu OAT issue through a block trade. An Ecu125m tranche was added to the 8½ per cent OAT due 1997, bringing the deal to a total close to Ecu1bn. The deal had become rather illiquid and the French government was keen to improve trading in the paper. However, the add-on was too small to justify an auction, the usual method used by the French government to sell OATs.

The block trade, arranged by Caisse des Depôts, Société Générale, Union Bank of Switzerland and Warburg, was priced to yield 8.24 per cent, the level at which the outstanding OAT was trading.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
General Electric Co.(a)†	300	7⅛	101.535	1997	1⅞/1.725	Crdt.Suiss First Boston
Nakano Corp.(a)‡	75	3¼	100	1996	2¼/1½	Yamaichi Int.(Europe)
SWISS FRANCS						
Kokusai Denshin Denwa**	50	7	101½	1997	-	Dai-Ichi Kangyo Bk.
D-MARKS						
Asfinag(c)‡†	300	8	102.0	2002	2½/1½	UBS Bank (Frankfurt)
Renault Credit Intl.(a)†	300	8⅛	102.05	1997	2/1¼	Deutsche Bank AG
LKB Baden-Wuert.Fin.(a)†	200	8	101.25	1996	1¾/1⅛	Trinkaus & Burkhardt
FRENCH FRANCS						
Republic of Finland.(a)†	5bn	9	99.659	1997	25/15bp	BNP Cap.Mkts.
AUSTRALIAN DOLLARS						
Guiness Fin.Australia.(a)†	75	10½	101.85	1997	2/1½	Hambros Bank
YEN						
World Bank.(d)	250bn	5⅛	99.23	2002	32.5bp	IBJ Int.
Kingdom of Norway.(e)†	50bn	5⅝	99.40	1997	-	IBJ Int.
Kokusai Denshin Denwa.(a)†	15bn	6.1	101.25	1999	1.875	Nikko Europe
ECU						
Nu Bk.Voor Nederland.(a)†	200	8⅝	101.85	1997	1⅞/1¼	ABN Amro
Shimano Inc.‡	100	4⅞	100	1996	2¼/1½	Nikko Europe
PESETAS						
Intl.Finance Corp.(b)†	10bn	10.4	101.6	1997	1⅝/1	B'co.Cent.Hispano Amer.

**Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Matador Bond. Non-callable. c) Callable 1994,1995 and 1996. d) Coupon payable semi-annually. Non-callable. e) Fungible with existing Yen 100bn deal landed 21/1/92.

Japan to bring in financial reform bills

By Emiko Terazono in Tokyo

JAPAN'S ruling Liberal Democratic Party (LDP) yesterday approved financial reform bills ahead of financial liberalisation to be implemented next year.

The changes include an easing of the controversial Article 65 of the Securities and Exchange Law, the Japanese version of the US Glass Steagall Act, which separates banking and securities industries.

Following the LDP's endorsement, the bills will be submitted to the current Diet – parliament – session.

Under liberalised regulations, banks and brokerages, which currently can only hold up to a 5 per cent stake in a company, will be able to enter each other's businesses by acquiring more than a 50 per cent stake in a securities house or banking affiliate.

Banks, however, will not be able to enter the lucrative stockbroking business, and operations of affiliates will be limited to stock trading and investment trust management.

Last year's spate of stock scandals has forced the Ministry of Finance to include rules to limit irregular trading practices in the stock market in the reform bills. Legislative changes will be made to allow the establishment of a financial markets watchdog, and the tightening of penalties imposed on violators of the Securities and Exchange Law.

Other changes include widening the definition of what a securities instrument is to include, securitised housing loans and leasing mortgages and commercial paper.

Barriers within the banking industry separating long-term credit banks, commercial banks and credit unions will also be abolished, increasing chances for mergers between various financial institutions.

First Chicago offers $100m of 10-year notes

By Barbara Durr in Chicago

FIRST Chicago, one of the mid-west's largest banks, announced that it is offering $100m of 8¾ per cent subordinated notes, due on March 15 2002.

The 10-year notes are non-callable and are priced at par to yield 8¾ per cent.

Proceeds from the sale will be used for general corporate purposes, the bank said. The notes were issued through an underwriting group consisting of Salomon Brothers and the First Boston Corporation.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Tuesday March 10 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Mar 9 Index No.	Fri Mar 6 Index No.	Thu Mar 5 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (178)	814.30	+1.2	7.90	5.86	16.33	2.55	804.24	796.32	798.15	866.32
2 Building Materials (23)	1005.26	+1.9	6.92	6.19	19.47	0.99	986.46	967.65	969.48	1162.26
3 Contracting, Construction (28)	915.52	+0.4	8.46	7.97	17.10	2.12	911.60	901.06	900.52	1416.03
4 Electricals (7)	2566.42	+1.8	8.19	5.84	16.07	1.47	2521.53	2487.81	2477.10	2315.16
5 Electronics (26)	1883.66	+0.2	9.64	4.55	13.15	2.20	1880.73	1863.13	1880.36	1905.22
6 Engineering-Aerospace (8)	357.61	+2.2	9.47	7.27	13.74	9.52	350.07	345.20	344.16	439.91
7 Engineering-General (43)	506.41	+1.0	9.11	[illegible]	13.55	1.21	501.64	497.77	497.42	453.84
8 Metals and Metal Forming (10)	337.57	+2.6	2.05	10.14	–	0.00	329.07	[illegible]	325.54	491.08
9 Motors (14)	326.26	+2.0	7.13	7.29	19.21	2.90	319.91	319.67	318.76	348.40
10 Other Industrial Materials (19)	1596.21	+1.1	7.60	5.16	15.45	1.08	1578.60	1569.18	1576.47	1484.23
21 CONSUMER GROUP (187)	1688.40	+1.0	7.08	3.32	17.30	5.83	1671.84	1659.45	1661.15	1414.58
22 Brewers and Distillers (23)	2168.05	+2.2	7.40	3.27	16.30	7.92	2121.80	2083.72	2093.74	1767.80
25 Food Manufacturing (18)	1279.42	+0.1	8.52	4.03	14.46	5.59	1278.28	1271.58	1266.00	1166.00
26 Food Retailing (17)	2672.25	+0.3	8.26	3.10	15.74	4.06	2664.50	2636.76	2647.51	2639.47
27 Health and Household (24)	4287.03	+0.7	6.20	2.43	18.07	19.73	4256.50	4262.50	4278.28	3019.45
29 Hotels and Leisure (22)	1347.99	+1.6	6.71	5.05	18.95	8.54	1326.42	1307.48	1296.07	1373.47
30 Media (24)	1566.05	+0.4	6.24	3.50	20.16	2.97	1559.56	1553.17	1553.61	1449.13
31 Packaging, Paper & Printing (17)	774.13	+0.5	6.78	4.33	17.62	0.31	770.60	764.84	761.85	656.60
34 Stores (32)	1076.66	+1.1	6.85	3.35	19.35	1.91	1064.91	1055.73	1062.14	898.95
35 Textiles (10)	681.56	+2.9	6.73	4.56	18.96	2.69	662.61	661.60	659.65	557.38
40 OTHER GROUPS (117)	1241.95	+0.6	9.66	5.33	13.05	8.87	1234.84	1230.03	1231.66	1184.09
41 Business Services (16)	1407.12	+0.5	6.54	4.59	19.45	0.27	1399.42	1384.16	1380.38	1176.47
42 Chemicals (22)	1500.19	......	6.99	4.80	17.50	20.02	1499.57	1519.11	1510.11	1245.07
43 Conglomerates (11)	1381.88	+1.3	10.33	7.32	11.83	3.18	1363.91	1353.22	1341.08	1547.50
44 Transport (14)	2445.28	+1.0	5.19	4.63	25.44	2.93	2421.17	2400.50	2399.81	2168.39
45 Electricity (16)	1214.26	-0.7	14.74	6.12	8.65	17.21	1222.29	1215.68	1227.99	1174.68
46 Telephone Networks(4)	1426.95	+0.7	10.99	4.39	11.88	16.02	1416.55	1414.57	1423.85	1340.36
47 Water(10)	2460.11	+0.8	17.34	6.46	6.35	0.00	2440.62	2426.90	2443.94	2510.40
48 Miscellaneous (24)	1833.05	+1.0	5.59	5.35	24.43	1.26	1815.66	1786.28	1780.44	1881.61
49 INDUSTRIAL GROUP (482)	1326.54	+0.9	8.02	4.39	15.57	6.01	1314.60	1305.71	1307.47	1212.07
51 Oil & Gas (18)	2056.00	+0.7	9.30	6.90	14.16	56.07	2040.79	2016.23	2030.10	2430.29
59 500 SHARE INDEX (500)	1395.76	+0.9	8.15	4.65	15.41	8.20	1383.43	1373.53	1375.95	1314.60
61 FINANCIAL GROUP (86)	727.46	+1.0	–	6.27	–	9.78	720.32	722.22	722.13	838.32
62 Banks (9)	906.80	+1.5	4.15	5.96	56.57	21.90	893.56	905.90	904.56	899.78
65 Insurance (Life) (6)	1471.34	+1.5	–	5.81	–	0.00	1449.21	1437.82	1440.96	1406.43
66 Insurance (Composite) (7)	480.39	+0.1	–	7.95	–	3.67	479.96	473.89	471.73	715.38
67 Insurance (Brokers) (10)	993.53	+0.6	7.78	6.72	16.90	12.58	987.22	1000.02	993.56	1124.50
68 Merchant Banks (7)	468.09	......	–	4.56	–	2.26	468.12	470.12	469.00	441.82
69 Property (33)	725.16	+0.6	7.93	6.26	17.25	0.93	721.09	710.34	717.56	1066.96
70 Other Financial (14)	244.84	-0.1	8.13	7.13	16.25	1.38	245.17	246.38	246.41	290.83
71 Investment Trusts (68)	1190.12	+0.7	–	3.71	–	7.30	1182.01	1184.66	1186.75	1208.17
99 ALL-SHARE INDEX (654)	1236.54	+0.9	–	4.81	–	0.36	1225.54	1218.30	1220.33	1195.72

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 9	Mar 6	Mar 5	Mar 4	Mar 3	Year ago
FT-SE 100 SHARE INDEX‡	2574.8	+24.1	2574.8	2554.5	2550.7	2533.1	2538.3	2558.4	2565.4	2454.8

FIXED INTEREST

PRICE INDICES	Tue Mar 10	Day's change %	Mon Mar 9	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (27)	122.13	+0.07	122.03	1.96	2.13
2 5-15 years (25)	135.66	-0.09	135.78	2.05	3.11
3 Over 15 years (9)	144.66	-0.26	145.04	1.24	2.78
4 Irredeemables (6)	161.60	-0.26	162.03	2.55	1.50
5 All stocks (67)	133.74	-0.05	133.81	1.97	2.77
Index-Linked					
6 Up to 5 years (2)	170.69	+0.02	170.66	0.25	1.37
7 Over 5 years (9)	148.48	+0.01	148.76	0.47	1.20
8 All stocks (11)	150.40	+0.02	150.64	0.44	1.21
9 Debs & Loans (62)	117.56	+0.10	117.44	2.12	2.39

AVERAGE GROSS REDEMPTION YIELDS		Tue Mar 10	Mon Mar 9	Year ago (approx.)
British Government				
1 Low	5 years	8.83	8.85	9.36
2 Coupons	15 years	9.30	9.28	9.69
3 (0%-7¾%)	20 years	9.30	9.28	9.85
4 Medium	5 years	9.56	9.57	10.16
5 Coupons	15 years	9.39	9.36	10.09
6 (8%-10¾%)	20 years	9.35	9.32	10.05
7 High	5 years	9.79	9.80	10.31
8 Coupons	15 years	9.51	9.47	10.27
9 (11%-)	20 years	9.44	9.40	10.23
10 Irredeemables		9.49	9.46	10.01
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.53	3.53	3.73
12 Inflation rate 5%	Over 5 yrs.	4.34	4.34	4.16
13 Inflation rate 10%	Up to 5 yrs.	2.89	2.89	2.35
14 Inflation rate 10%	Over 5 yrs.	4.17	4.17	3.98
15 Debs &	5 years	10.90	10.93	11.87
16 Loans	15 years	10.69	10.71	11.62
17	25 years	10.53	10.54	11.40

‡Opening index 2554.9; 9 am 2560.0; 10 am 2557.9; 11 am 2555.9; Noon 2558.7; 1 pm 2561.9; 2 pm 2564.1; 2.30 pm 2566.7; 3 pm 2572.0; 4.10 pm 2570.6; (a) 4.30pm (b) 11.06am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	19	38	23
Other Fixed Interest	4	5	8
Commercial, Industrial	390	171	914
Financial & Property	179	51	561
Oil & Gas	16	16	57
Plantations	[illegible]	[illegible]	[illegible]
Mines	26	17	105
Others	46	42	46
Totals	680	340	1,723

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings March 2
● Last Dealings March 13
● Last Declarations June 11
● For settlement June 22

3-month call rate indications are

Calls in Arber Day, AMEC, Lasmo, Premier Cons., Trimoco and Wharfedale. Put in Maddox.

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTION 3-month call rates

[illegible]

FT LAW REPORTS

French property question is referred to European Court

WEBB v WEBB
Court of Appeal
(Lord Justice Nourse, Lord Justice Taylor and Lord Justice Scott):
February 27 1992

THE EUROPEAN Court of Justice is to be asked to make a preliminary ruling as to whether the effect of the 1968 Brussels Convention is that French courts have exclusive jurisdiction to hear a case concerning French property bought by an English father in his son's name, for the alleged purpose of a trust in the father's favour.

If on the true construction of article 16 of the Convention the object of the claim is to establish rights of ownership in land, French courts have exclusive jurisdiction. If the object is to enforce personal rights arising from arrangements between father and son analogous to contract, the English court has jurisdiction.

The Court of Appeal adjourned an appeal by the defendant son, Mr Lawrence Desmond Webb, from a decision of Judge Paul Baker QC sitting as a High Court judge, dismissing his application for summary dismissal of an action brought against him by his father, Mr George Lawrence Webb.

LORD JUSTICE SCOTT said that an agreement to purchase a property in Antibes, France, was concluded between the vendor and Mr George Webb, the father, in July and August 1971.

In October 1971 the purchase was completed and the property was transferred into the name of Mr Lawrence Webb, the son.

The purchase price of FFr600,000 was provided by the father and was placed pending completion in an account in the son's name at the Antibes branch of Barclays Bank.

Payment to the vendor was made out of the funds in that account.

The necessary exchange control permissions from the Bank of England were obtained on the footing that the property would be purchased in the name of the son.

After the purchase the property was used by the father and his wife, as well as by the son, as a holiday home.

The bulk of the outgoings since purchase had been borne by the father.

The father contended that it was agreed between him and his son that the son would hold the property in trust for him. He contended that he was entitled to the use and enjoyment of the property to the exclusion of the son, and to require the son to transfer the property into his name.

The son contended that the property and its contents were a gift to him from the father.

The 1968 Brussels Convention was incorporated into domestic law by section 2 of the Civil Jurisdiction and Judgments Act 1982.

Section 3(1) of the Act provided that any question as to the meaning or effect of the Convention should, "if not referred to the European Court in accordance with the 1972 Protocol", be determined in accordance with European Court decisions.

Section 3(2) provided that the report by Professor Schlosser on the Accession Convention might be considered in ascertaining the meaning or effect of any provision of the Conventions.

Article 16 of the Brussels Convention (section 5 Title II) provided that "(1) in proceedings which have as their object rights *in rem* in ... immovable property, the courts of the contracting state in which the property is situated" should have exclusive jurisdiction.

The issue was whether the action constituted "proceedings which have as the object rights *in rem* in immovable property". If it did, then the courts of France, being the contracting state in which the property was situated, had exclusive jurisdiction and the English action should be dismissed.

The judge concluded that the action was not caught by article 16(1). The son appealed.

The case for allowing the appeal was that the father was bringing the action in order to establish his rights of ownership of the property. The property was "immovable property". Rights of ownership were rights *in rem*. So the action was covered by article 16(1).

The case for dismissing the appeal was that the father and son both intended, when the property was purchased in 1971, that it would be put in the son's name. The rights asserted by the father in the action derived from the arrangements between father and son when the property was purchased. Those rights were *in personam* rights, not *in rem* rights. They had nothing to do with French land law. They were analogous to rights deriving from contracts for the sale of land. Actions for enforcement for sale of land were not, according to the Schlosser report, caught by article 16(1) (see paragraphs 171 and 172 of the Report).

There were two European court decisions in which dicta bore on the issue (see *Rosler v Rottwinkel [1985] 1 CMLR 806* and *Reichart v Dresdner Bank, January 10 1990, Case C, 11/88*). Those dicta were not, however, conclusive of the issue.

The 1971 Protocol also was incorporated into domestic law by the 1982 Act, and was set out in Schedule 2 to the Act.

Under article 3(2) of the Protocol the present court was empowered to request the European Court of Justice to give a preliminary ruling on a question of interpretation of the Brussels Convention "if it considers that a decision on the question is necessary to enable it to give judgment".

A preliminary ruling should be sought from the European Court before judgment was given on the present appeal. If it had been necessary to give final judgment now, his Lordship would have dismissed the appeal on the ground that the "object" of the action was the enforcement of rights *in personam* arising out of the arrangements between father and son, not rights *in rem*, and that accordingly the action was not caught by article 16(1).

But the matter was not clear, particularly as Lord Justice Nourse was in disagreement. Moreover, if the English court wrongly retained the action, the French courts might decline to enforce any orders made (see article 28).

The proper scope of article 16(1) might depend on identification of the policy underlying the article. The European Court was the appropriate forum to identify the correct purposive interpretation of article 16(1) in its application to the facts of the case.

Therefore, the court should request the European Court to give a preliminary ruling on the question whether, on the true interpretation of article 16(1), the present proceedings were proceedings in respect of which the courts of France had exclusive jurisdiction.

Pending the preliminary ruling, the appeal was adjourned.

LORD JUSTICE TAYLOR agreed.

LORD JUSTICE NOURSE said that the "object" of the action, by which was meant the subject matter, was a right *in rem* in immovable property within article 16(1) of the Brussels Convention.

He would have allowed the appeal and dismissed the action.

But the division in opinion meant that a decision of the European Court on the question was necessary to enable the court to give judgment.

He therefore agreed that a preliminary ruling of the European Court should be requested under article 3(2) of the 1971 Protocol.

For the son: Mark Blackett-Ord and Barbara Rich (William Sturges & Co).

For the father: Michael Briggs (Bower Cotton & Bower).

Rachel Davies
Barrister

De Beers

De Beers Consolidated Mines Limited

De Beers Centenary AG

RESULTS FOR THE YEAR ENDED 31 DECEMBER 1991

- Combined total dividends for the year marginally increase in US dollar terms to 112.1 cents (1990: 111.3 cents) and increase by 8 per cent in Rand terms to 307.5 cents (1990: 285.3 cents).
- Following 6% lower CSO sales, attributable earnings decline by 20%, but diamond account performs creditably at US$803 million (1990: US$911 million).

EXTRACTS FROM THE UNAUDITED

PRO FORMA COMBINED INCOME STATEMENT AND BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 1991

ATTRIBUTABLE TO THE DE BEERS/CENTENARY LINKED UNITS

PRO FORMA COMBINED INCOME STATEMENT

Rand millions 1990	Rand millions 1991		US$ millions 1991	US$ millions 1990
2 335	2 202	Diamond account	803	911
581	581	Investment income	212	227
722	573	Interest received	209	282
3 172	2 832	Net income before taxation	1 033	1 237
652	696	Taxation	254	254
2 436	2 093	Attributable earnings	763	950
3 376	2 954	Equity accounted earnings	1 078	1 317
380	*380*	*De Beers/Centenary linked units in issue (millions)*	*380*	*380*
		Earnings per linked unit:		
641c	550c	– excluding retained profits of associates	201c	250c
888c	777c	– including retained profits of associates	283c	347c
		Dividends:		
68.0c	87.0c	– per De Beers equity share	31.7c	26.5c
217.3c	220.5c	– per Centenary depositary receipt	80.4c	84.8c
285.3c	307.5c	Total dividends per linked unit	112.1c	111.3c

PRO FORMA COMBINED BALANCE SHEET

Rand millions 1990	Rand millions 1991		US$ millions 1991	US$ millions 1990
20 377	22 227	Linked unit holders' interests	8 102	7 951
328	348	Preferred and outside shareholders' interest	126	128
2 693	3 404	Long- and medium-term liabilities	1 241	1 051
23 398	25 979		[illegible]	9 130
		Represented by:		
2 591	2 968	Fixed assets	1 081	1 011
10 012	11 175	Investments and loans	4 073	3 907
6 879	8 324	Diamond stocks	3 034	2 684
1 538	1 646	Trade advance	600	600
328	339	Stores and materials	124	128
2 050	1 527	Net current assets	557	800
23 398	25 979		9 469	9 130
23 698	26 876	Market value/directors' valuation of all investments and loans including trade investments	8 385	6 988
8 552c	9 528c	Net asset value per De Beers/Centenary linked unit	3 102c	2 744c
R2.56	R2.74	US Dollar/Rand exchange rates	R2.74	R2.56

DIVIDENDS

Notices of final dividends declared or recommended by De Beers/Centenary are published elsewhere in this newspaper.

COMMENT

Against the background of worldwide economic slowdown it is encouraging that CSO sales of rough diamonds should have been down by six per cent only, that overall retail sales of diamond jewellery look to have been maintained in US dollar terms at the satisfactory level of 1990 and that the combined profits of De Beers/Centenary should have held up as well as they have.

The diamond cutting centres are in a sound financial position and retail stocks are not believed to be high. We look forward to an upturn in world economic activity later in the year which will lead to increased diamond business.

DIRECTORATE

Mr E.P. Gush has been elected a director of De Beers Consolidated Mines Limited and the board of De Beers Centenary AG will recommend that he be elected a director of that company at the Annual General Meeting to be held in Lucerne on 13 May 1992.

Copies of the provisional annual financial statements and dividend notices will be posted to linked unit holders on or about 12 March 1992 and will also be available from the following offices:

De Beers Consolidated Mines Limited
36 Stockdale Street
Kimberley
South Africa

De Beers Centenary AG
Langensandstrasse 27
CH-6000 Lucerne 14
Switzerland

Anglo American Corporation of South Africa Limited
40 Holborn Viaduct
London EC1P 1AJ

De Beers

De Beers Consolidated Mines Limited

De Beers Centenary AG

Dividend declaration notices for the year ended 31 December 1991

De Beers Consolidated Mines Limited

On Tuesday, 10 March 1992, the directors of the Company declared a final dividend (No. 144) on the linked deferred shares for the year ended 31 December 1991 as follows:

Amount per deferred share (South African currency)	59c
Last day to register for dividend (and for changes of address or dividend instructions)	Friday, 27 March
Registers closed from / to (inclusive)	Saturday, 28 March / Friday, 10 April
Ex-dividend	Monday, 30 March
Currency conversion date for sterling payments to shareholders paid from London	Monday, 30 March
Dividend warrants posted	Tuesday, 26 May
Payment date of dividend	Wednesday, 27 May
Rate of non-resident shareholders' tax	10.434 per cent

The full conditions relating to the payment of the dividend may be inspected at the Head Office and the office of the London Secretaries of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

De Beers Centenary AG

CENTENARY HOLDINGS
On Tuesday, 10 March 1992, Centenary Holdings (the Luxembourg-based wholly-owned subsidiary of De Beers Centenary AG) declared the following dividends payable to holders of its participation certificates registered as such at the close of business on Friday, 27 March 1992.

A preferential dividend of US$12 per participation certificate (equal to 12 US cents per Centenary depositary receipt); and

A final dividend of US$46 per participation certificate (equal to 46 US cents per Centenary depositary receipt)

DE BEERS CENTENARY AG
On Tuesday, 10 March 1992, the directors of De Beers Centenary AG announced that, at the annual general meeting of De Beers Centenary AG expected to be held on Wednesday, 13 May 1992, they will recommend to shareholders that a dividend of SFr 10 (equivalent to US$7.39 converted at the rate of exchange ruling on 31 December 1991) per share (equal to 10 Swiss centimes (7.4 US cents) per Centenary depositary receipt) be declared payable to shareholders registered as such at the close of business on Friday, 27 March 1992.

DISTRIBUTION BY CENTENARY DEPOSITARY AG (THE DEPOSITARY)
In accordance with the provisions of the Deposit Agreement dated 29 May 1990, the Depositary will distribute, as dividend distribution No. 4, the dividends mentioned above which it receives from De Beers Centenary AG and Centenary Holdings to holders of Centenary depositary receipts who are registered as such at the close of business on Friday, 27 March 1992 and to persons presenting coupon No. 4 detached from the relevant bearer Centenary depositary receipt. Subject to the approval of the shareholders of De Beers Centenary AG at its said annual general meeting, dividend distribution No. 4 will be as follows:

Amount per depositary receipt	Sw/cts	US cents
– attributable to Centenary Holdings		
– preferential dividend		12.0
– final dividend		46.0
		58.0
– attributable to De Beers Centenary AG	10.0	7.4
Total dividend distribution		65.4

Last day to register for dividend (and for changes of address or dividend instructions)	Friday, 27 March
Registers closed from / to (inclusive)	Saturday, 28 March / Friday, 10 April
Ex-dividend	Monday, 30 March
Currency conversion date for payments to depositary receipt holders paid from London/Johannesburg	Monday, 30 March
Dividend distribution warrants posted	Tuesday, 26 May
Payment date of dividend distribution	Wednesday, 27 May
Rates of withholding tax	
– on Luxembourg portion of dividend distribution	Nil
– on Swiss portion of dividend distribution	35 per cent

The portion of the dividend distribution which will emanate from De Beers Centenary AG is subject to Swiss withholding tax at a rate of 35 per cent. However, receipt holders who are resident in countries which are party to Double Taxation Treaties with Switzerland may be entitled to a refund of a portion of the Swiss withholding tax and receipt holders should communicate with their domestic Revenue authorities to ascertain their right, if any, to claim such a refund and the appropriate procedure for doing so. Receipt holders who are resident in:

- the Republic of South Africa will be entitled to claim a refund of 27.5 per cent resulting in a net withholding tax at the Treaty rate of 7.5 per cent, as set out below.
- the United Kingdom will be entitled to claim a refund of 20 per cent resulting in a net withholding tax at the Treaty rate of 15 per cent, as set out below.

Because of the large number of receipt holders resident in South Africa and the United Kingdom arrangements have been made with the appropriate authorities for the Depositary to claim such refund on behalf of those South African resident receipt holders who complete and return the Declarations which will be posted to them and on behalf of those receipt holders whose registered addresses are situated within the United Kingdom, who have U.K. tax deducted from their dividend distribution at the basic rate and who complete and return the Declaration which will be posted to them. Such Declarations will be posted on or about Thursday, 12 March 1992 and should be returned to the offices of the respective transfer secretaries in South Africa or the United Kingdom on or before Friday, 10 April 1992. It is anticipated that the refund will be distributed to such receipt holders together with dividend distribution No. 4. South African or United Kingdom receipt holders who fail to return such Declarations by 10 April 1992 may still be able to claim their refund independently by completing a Form 92 (South Africa) which may be obtained from the offices of the South African transfer secretaries, or a Form 86 (United Kingdom) which may be obtained from the offices of the United Kingdom transfer secretaries.

The full conditions relating to the payment of the dividend distribution may be inspected at the Head Office and United Kingdom agent's office of the Depositary and also at the offices in Johannesburg and the United Kingdom of its transfer secretaries.

De Beers Consolidated Mines Limited
Head Office
36 Stockdale Street
Kimberley
South Africa

London Secretaries:
Anglo American Corporation of South Africa Limited
40 Holborn Viaduct
London EC1P 1AJ

De Beers Centenary AG
Head Office
Langensandstrasse 27
CH-6000 Lucerne 14

London agent of Centenary Depositary AG:
Anglo American Corporation of South Africa Limited
40 Holborn Viaduct
London EC1P 1AJ

Transfer Secretaries in respect of De Beers/Centenary linked units:

Consolidated Share Registrars Limited
40 Commissioner Street
Johannesburg, South Africa
(P.O. Box 61051, Marshalltown 2107)

Barclays Registrars
34 Beckenham Road
Beckenham
Kent BR3 4TU

UK COMPANY NEWS

Richard Lines resigns from MTM

By Richard Gourlay

MR RICHARD LINES, the chairman and founder of MTM resigned yesterday following a tumultuous week in which the speciality chemical manufacturer's market value fell by more than two thirds as a result of two profits warnings.

Mr Tom Baxter, the finance director, will also step down following completion of the audit of the 1991 results, the publication of which has been delayed by protracted discussions with the auditors.

The resignations end a stormy relationship between Mr Lines and his City backers who have for some time questioned some of MTM's less-than-conservative accounting policies. Many institutions also objected to Mr Lines' autocratic and centralised management style.

"He did not have a very high opinion of people in the City," said one leading chemicals analyst. "He was an example of the kind of people running public companies who would rather be running a private company."

The resignations leave shareholders with no clearer idea of the value of their company's assets or the 1991 profits which MTM will now release on March 31. The share price closed at the end of the day down 14p at 105p.

Mr Donald Mackay will become non-executive chairman. He has been a non-executive director since 1986 and a former director of finance at ICI Chemicals and Polymers.

The board is otherwise unchanged from February 2 when MTM told the markets, institutions and apparently Robert Fleming, its merchant bankers, that the only disagreement with its auditors was over application of accounting policy.

The disagreement, MTM said had no impact on trading profits or on the company's cash position.

Last Monday MTM followed this statement with a second announcement that trading profits would be significantly below what the City had been expecting.

Lead actor leaves stage of hidden drama

Richard Gourlay on the background to MTM's recent profit warnings

THERE could hardly have been a worse way for MTM to break bad news to the market.

Within one week the speciality chemicals manufacturer has twice had to issue a profits warning. Mr Richard Lines, the chairman, chose to describe the first as the result of a difference of opinion between MTM and its auditors over asset valuation that would not affect trading profits.

By Monday, however, MTM had decided that trading profits would indeed be lower than the City expected.

MTM's shares fell to a third of their value a fortnight earlier, and shareholders were not in the least surprised yesterday when Mr Lines resigned.

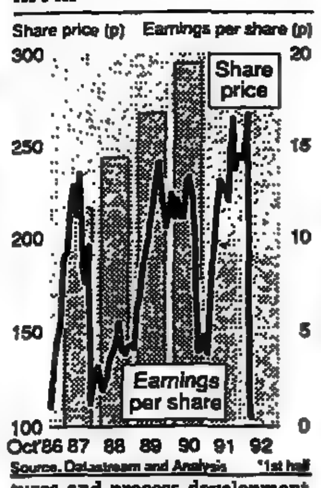
About the only clear picture to emerge from the uncertainty surrounding the last week is of Mr Lines, the MTM board and its merchant bank, Robert Fleming, with varying degrees of egg on their faces.

Certainly shareholders have no clear view about the underlying health of the business, which Mr Lines founded in 1979 and built into one of the fastest growing stocks of the 1980s.

And despite assurances from Mr Chris Swinson, national managing partner of Binder Hamlyn, MTM's auditors, that "the problems have not changed" between announcements, analysts remained convinced that something dramatic had happened last week to change the company's view on 1991 trading profits.

The auditors are concerned about MTM's valuation of its assets. Specifically MTM capitalises development expenditures and process development costs as well as the interest on construction projects.

MTM



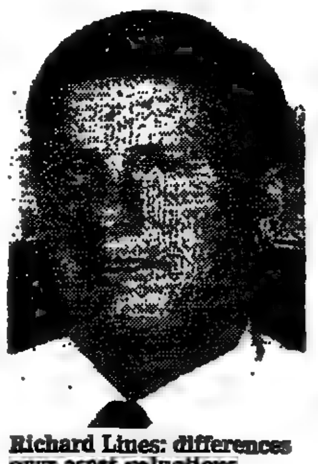
Source: Datastream and Analysis *1st half

While this is a fairly common practice among companies involved in sizeable plant developments, MTM was a small company growing quickly and this treatment had a material impact on the reported profits.

The 1989 pre-tax profits of £9.3m could have been cut to £5.8m, had process development costs and capitalised interest been taken through the profit and loss account as an expense and not capitalised.

Likewise, in 1990, profits of £13.6m would have been only £11.3m had the company applied a more conservative accounting policy.

But the City already knew about this accounting treatment and had warned shareholders. MTM's shares tended to trade at a discount to the sector that analysts recently said reflected this residual waryness about the accounting.



Richard Lines: differences over asset valuations

What is more, these two items were only expected to have boosted profits by about £2.3m in 1991 out of profits forecast at £23m.

If MTM has faced a problem commissioning a plant, the auditors may have wanted to see the costs written off through the P&L as would a prior year adjustment to asset values. But analysts were puzzled why this should have any impact on trading profits.

The problem with MTM's trading profits comes only five months after Mr Lines sold 1.25m shares at 247p for "long-term tax and estate planning reasons", according to the share watch service BRI. This sale reduced Mr Lines' stake in the company to 6.26 per cent.

Mr Lines set up MTM – then called Marlborough Technical Management – in 1979 as a consultancy to the chemicals industry. The foundations for growth were two fine chemicals manufacturing projects which he set up from scratch and sold very quickly making a £1m profit from each.

Marlborough's rapid growth caught the attention of ICI, where Mr Lines had spent 11 years, and the UK's largest private company set up a joint venture in which MTM had a 51 per cent stake.

It quickly developed a substantial business supplying the fine chemical ingredients to large pharmaceuticals companies and came to the market with a bang in 1986 with a market capitalisation of £40m.

Growth sprang from a substantial capital expenditure programme and Mr Lines' undoubted ability to "do a deal", analysts say. Between flotation and 1990, the group spent £120m on acquisitions and £71m on fixed assets, issuing in the process £93m of its paper. At its peak in mid-February MTM's market capitalisation had risen to £256m.

following his resignation yesterday, Mr Lines insisted that the application of accounting policies was a technical matter, and in any event had a "one off" impact. It had no bearing on the good performance of the company. MTM was profitable, demand in 1992 remained strong and reaction to the last week's events had been overdone.

His plea for the City to support what he called "one of the few successful manufacturing companies in Britain in the last two decades" came, however, too late.

Receivers in at West End property company

By Vanessa Houlder, Property Correspondent

RANDSWORTH Acquisition, a property company with a £350m portfolio of West End offices and shops, has gone into administrative receivership.

Randsworth was bought by JMB Realty Corporation, a Chicago-based fund, for £258m at the peak of the property market in July 1989. Its move into the UK, which reflected the relatively high returns available, was highly unusual for a US investor.

Mr Tim Hayward and Mr Roger Oldfield of KPMG Peat Marwick who have been appointed administrative receivers, said they intended to avoid any fire sales.

"It is our present intention to permit the operating subsidaries to continue through their existing management with a view to enhancing their long term value," said Mr Hayward.

The main operating subsidiary is London and Provincial Shop Centres Group. Its accounts for the year to 30 June were "qualified by the auditors as to whether preparation on a going-concern basis is appropriate because the company and certain other group companies have failed to make capital and interest payments to their bankers".

The appointment of administrative receivers comes at the end of several months of discussions between the shareholders and its bankers, chiefly Citibank.

Mr Hayward said the portfolio had been acquired on a highly leveraged basis.

He estimated that the debts were between £350m and £400m.

DTI to investigate more share dealings connected with Wace

By Bronwen Maddox

THE DEPARTMENT of Trade and Industry yesterday widened its investigation into share dealings connected with Wace Group, the printing company.

The two DTI inspectors investigating Wace are now looking at share dealings in two further quoted companies – Tinsley Robor, a printing company which Wace considered taking over in early 1990, and in European Colour, a Stockport-based manufacturer of chemical colours.

The DTI said yesterday that the share deals it was investigating "might have been a preliminary to a possible takeover or merger" but that it was not looking at the affairs of either company.

The DTI declined to comment on the targets of the inquiry but it is understood that one of the share deals in the inquiry is a 7.1 per cent stake in European Colour in the name of J Riley.

European Colour could not confirm yesterday whether this shareholder was Mrs Jayne Riley, the half sister of Mr John Clegg, Wace's managing director who resigned suddenly two months ago.

However, Mr Mike Armitage, managing director of European Colour, said the J Riley shareholding, shown in the accounts dated March 1991, had "transmogrified" out of a 5 per cent shareholding of a K Riley, bought in October 1986, when the company was known as Horace Cory. Mrs Jayne Riley's husband is Mr Keith Riley.

Following Mr Clegg's departure, the DTI launched an inquiry under Section 442 of the Companies Act into the "membership" of Wace Holdings UK, a subsidiary of Wace Group previously known as Parkway, a printing company which Wace took over in 1990. "Membership" covers all persons financially interested in the company.

A dossier passed by Wace to the DTI showed that nearly 10 per cent of the shares in Parkway had been bought and registered in the names of members of Mr Clegg's family and others connected with them in the months before Wace's bid.

Many of the share purchases were in the names of Mrs Jayne Riley and Mr Keith Riley.

Mr Clegg has said through his solicitors that he has "never acted on nor provided to others any price-sensitive information" and is happy to co-operate with the DTI.

A similar pattern of buying Tinsley Robor shares about the time of Wace's interest has subsequently emerged, with registration in many of the same names – including that of Mr Keith Riley.

Yesterday, Mr Armitage said that European Colour had never received an approach from Wace about a takeover or merger, but added that the company had been trying to uncover the identity of several shareholders controlling around 7 per cent for several years.

It had found this search "exceptionally difficult" because of the use of nominee names by some shareholders, but was now "aware of links" between several beneficiaries.

Saatchi predicts gloomy outlook

By Gary Mead, Marketing Correspondent

THE WORLD advertising industry can expect only the faintest of upturns this year, Mr Robert Louis-Dreyfus, chief executive of Saatchi & Saatchi, said yesterday as he unveiled a dismal set of results for the advertising and marketing services group.

Worldwide revenues were likely to rise by only 1 per cent at best. But in the US, where Saatchi generates about half its turnover, a further decline of some 3 per cent in real terms was expected.

With group revenues showing no improvement this year, Mr Louis-Dreyfus was planning more cost cuts – the prime target being the wage bill. The group's 12,900 employees earned an average £23,255 each last year.

Some 300 executives were earning more than £150,000 a year. They were about to be asked to forgo large fixed salaries for the promise of considerably more through performance bonuses when – or if – the fat days return.

Moreover, the group still had to hand out some £30m of earn-out payments over the next three years, only £5m of that in shares.

The City remained cautious about Saatchi's prospects after yesterday's news of a £63.6m loss after exceptional items for the 15 months ended December.

Mr Louis-Dreyfus said that estimates of pre-tax profits of £18m in 1992 "were not unreasonable".

Analysts are forecasting pre-tax profits rising to some £43m in 1993 and about £70m in 1994. The only immediate blip on the horizon is the probable loss of the $80m Rover account.

Wates City of London net assets fall 40%

By Vanessa Houlder, Property Correspondent

WATES CITY of London, the property company, yesterday announced a 40 per cent fall in its net assets in 1990, from 250p per share to 151p. The pre-tax profit was £8.17m, down from £30.5m, which was boosted by an exceptional item of £22.1m.

The worst affected part of the portfolio was the development properties which fell by 44 per cent, while the value of investment properties fell by 18 per cent.

The decline in assets was "clearly a most disappointing outcome", said Mr Dundas Hamilton, chairman, although he hoped that asset values had reached their low point. Companies were delaying office relocations and investment purchases until after the election.

Net rental income increased from £14.8m to £15m, as rent reviews and the acquisition of an additional investment property compensated for the continued loss of rent on properties held for development.

At the year end, the company's borrowings were £91.2m, giving gearing of 50 per cent. The net debt of its joint venture companies was £39.3m. Earnings per share fell from 23.19p to 4.43p. A final dividend of 2.96p is proposed giving an unchanged total of 3.73p.

COMMENT

To judge by the yawning gulf between Wates' net assets and its share price, shareholders do not believe that the halving of the net asset value over the last two years is the end of the story. The share price, having fallen by 14 per cent over the past three weeks to 70p, is on a 54 per cent discount to net assets. In part, this reflects concern about the difficulties in securing tenants for development properties, although the pain will be shared with its joint venture partners. More generally, Wates is hemmed into virtually the worst property market ever seen in the UK. The square mile is suffering disproportionately from the building bonanza of the late 1980s, the recession in the financial services industry and the evaporation of foreign investment which pushed up prices on trophy buildings. Many analysts do not expect a re-emergence of capital growth until 1994. Even though Wates is largely seen as a well managed company with good tenants and good buildings, investors are unlikely to be drawn to a stock where recovery prospects are so distant.

Strong & Fisher back in the black with £2.43m

By Peggy Hollinger

STRONG & Fisher, the leather company rescued from the brink of insolvency by Hillsdown Holdings, is celebrating its return to the black last year by resuming ordinary dividend payments.

The UK's leading sheepskin processor – 70 per cent owned by Hillsdown – is paying 1p to ordinary shareholders, their first dividend since the 2p interim in December 1989.

The group, which has been reporting in three six-month tranches to bring it into line with Hillsdown, also unveiled a pre-tax profit of £2.43m for the 18 months to December 31. In the final 12 months, Strong & Fisher reported a profit of £9.9m.

The last full accounting period covered the 12 months to June 29 1990 when the group incurred a loss of £17.52m.

Mr Michel Buswell, chairman, said the group was now financially sound. All four divisions – hide and skin collecting and trading, fellmongery, tanning and rendering – had been profitable in the final 12 months.

Strong had between £15m and £20m cash in the bank and planned to make an acquisition within the next year to reduce its dependence on leather, Mr Buswell said. The purchase was likely to be in a manufacturing industry.

The results were depressed by an exceptional write-down of stocks and current assets which, after profits on disposals, totalled £4.6m.

Earnings per share for the 18 months worked through at 0.54p. That compared with losses of 100.6p for the previous 12-month period.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
American Trust ......fin	3.3	May 7	3.25	4.8	4.7
BM Group ......int	2.1†	May 29	1.6	-	3.4
Castle Comms § ......int	4	Jun 15	4	-	8.5
Clondalkin ......fin	2.683♣	-	2.484	4.381	4.056
Glynwed ......fin	7.5	Jul 2	7.5	11.65	11.65
Logica ......int	1.15	Apr 30	1.15	-	5.5
Pacer Systems § ......fin	3.5‡	Jun 15	3.5	6.5	6.5
Plaxton ......fin	2	May 7	1.5	3	4.5
Strong & Fisher ......fin	1☆	May 29	nil	1	2
Wates City Ldn ......fin	2.96	May 5	2.96	3.73	3.73
Wyevale ......fin	1.24†	Apr 30	2.25	3.72	3.375

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. ‡ US cents. †On capital increased by rights and/or acquisition issues. §USM stock. ‡US cents. ☆18 months. ♣Irish currency.

UK COMPANY NEWS

Closures, cost cutting and avoidance of accidents help result

James Capel back in black at £9m

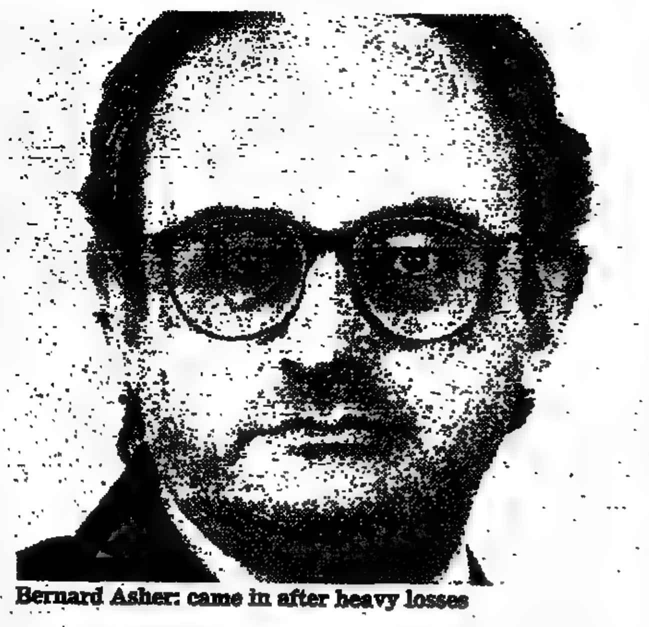
By Richard Waters

JAMES CAPEL, the broker owned by Hongkong and Shanghai Banking Corporation, managed its best year since before the 1987 stock market crash with a pre-tax profit of £9.1m in 1991 for £6.1m after tax.

The result, due to a renewed round of cost-cutting and the closure or sale of loss-making activities, followed losses of £30.3m in 1990. However, the result still amounted to a return of little more than 5 per cent on capital compared with the returns of 20 per cent to 25 per cent which most in the industry consider desirable.

Mr Bernard Asher, put in by HKSB as executive chairman a year ago after the disastrous 1990 losses, moved quickly to cut costs. Some 300 jobs were shed during the year, about half of them in the UK, taking the total staff to about 2,390.

Costs have been cut sharply at the Paris operation, with a staff now of about 130, compared with 250 little more than a year ago, in the wake of difficult conditions for broking firms generally and losses on



Bernard Asher: came in after heavy losses

options market making.

The loss-making Australian operations were also cut drastically during the year, with staff falling from 130 to 60.

Mr Asher, who is also chairman of Wardley, HKSB's merchant banking arm, shed some peripheral parts of the business, such as money broking, which had held the firm back.

However, the turnround from 1990 owed more to businesses closed before he took over: convertibles, where trading losses had accounted for about half of the full-year loss, and fixed income, which was moved to the parent bank.

The 1991 profit was also due in large part to Capel's success in avoiding its accident-prone ways of recent years, when it has periodically incurred heavy trading losses. These had led to a poor relationship between the firm and its parent, said to have been repaired by the appointment of Mr Asher, though at the cost of the firm's independence.

Last year saw an improvement in the performance of Capel's UK equities side, its traditional core, said Mr James Fergusson, managing director.

After the departure of some leading analysts and a decline in the firm's showing in polls of fund managers, Capel says its market share has returned to about 9 per cent.

Sunrise Television spurns critics' forecasts

By Raymond Snoddy

SUNRISE TELEVISION yesterday attacked forecasts by Mr Bruce Gyngell, chairman of TV-am, that the new commercial breakfast television company could be out of business within 18 months.

Mr Christopher Stoddart, managing director of Sunrise, which will take over from TV-am on January 1, described Mr Gyngell's figures as "highly misleading" and insisted that the new broadcasting group would make a modest profit in its first year on air.

The TV-am chairman said last week that Sunrise was expecting revenues of £117m in 1995, compared with TV-am's forecast of £82m, and that the new company had underestimated the growing impact of satellite television on the breakfast audience.

Mr Stoddart said yesterday his revenue forecasts for 1995 were "in the £80 millions" and the Sunrise prediction on satellite television was at the top end of most forecasts – just under 50 per cent of homes in the last years of the century.

Sunrise, which won the breakfast franchise with a bid of £36.4m a year compared with TV-am's £14.125m, is backed by the Guardian and Manchester Evening News, London Weekend Television, Scottish Television, Disney and Carlton Communications.

Mr Stoddart said yesterday that at least £10m of the difference between the Sunrise and TV-am bid would be accounted for by lower costs.

The second £10m could be accounted for by accepting lower profit levels than TV-am. Last year the breakfast company had pre-tax profits of £26m. The whole basis of payments is also different with the ending of subscription payments to fund Channel 4 and the fact that bids are tax deductible.

"Our shareholders view is that this basis [of a lower profit level] is absolutely satisfactory," Mr Stoddart said.

The Sunrise managing director believes that he can extend TV-am's dominant share of the breakfast television audience although he has budgeted for a small decline just in case.

The plans now being drawn up by Sunrise reveal a very cost-effective and flexible operation which will spend some £30m a year on programmes and employ only 115 people.

Ms Lis Howell, director of programmes and a former senior executive at Sky News, has decided to abandon formal news bulletins and instead produce a rolling magazine programme. There will be headlines every 15 minutes but apart from that the "news" items will simply be imbedded in in the programme's running order.

"It will be a Good Morning magazine with something for all the family," says Ms Howell.

"Everything will have a topical base but we will not be a slave to a false news agenda," she adds.

If it is a dull news day Sunrise will say so, and there will be less news on that edition.

Sunrise says it will also save money by buying in its news service from Visnews, the international news agency.

Under the deal Sunrise will have dedicated Visnews camera crews, including eight crews in London and three dedicated news bureaux in Moscow, Washington and Brussels.

Sunrise expects to spend about £10m a year on news, not including deals with most of the ITV companies, to inject three-minute bursts of local news, weather and traffic for the various regions.

Sunrise will broadcast its entire programme, lasting almost three-and-a-half hours, from a single studio at LWT's London Television Centre on the South Bank, which will be like the open plan downstairs of a house.

The "hosts" in the American television sense will preside from a round table. In other parts of the domestic setting there will be a sofa for softer interviews, a kitchen and a childrens' area.

Mr Gyngell's insistence on cheerful pink shirts will not survive the loss of franchise but Ms Howell will adopt some of the hallmarks of her predecessor.

"We will have light relaxing colours because they work," says Ms Howell, who believes that breakfast television should be reassuring and designed to convey the message that "God's in her heaven and all's right with the world."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- EFM Dragon Trust, Everest Foods, Gent (SR).

Finals- AGA, Aegis, Ansbacher (H), BTR, BTR Nylex, BWD Securities, EW Fact, Grosvenor Development Capital, Hillsdown, Kleinwort Smaller Companies Inv. Trust, Nichols (JN) Vimto, North Midland Construction, Novo Nordisk, Second Market Inv., Simon Engineering, Standard Chartered, Stora Kopparbergs, T & N, Whitegate Leisure.

FUTURE DATES

Interims-	
Lloyd Thompson	Mar. 23
Scottish Asian Inv. Trust	Mar. 19
Finals-	
Antofagasta	[illegible]
Associated British Ports	Mar. 12
Benrose Corp	Mar 23
Blagden Inds.	[illegible]
British Alcan Aluminium	Mar. 26
Clifford Foods	Mar. 26
Clyde Petroleum	Mar. 18
Invergordon Distillers	Mar. 24
Jacobs (John I)	Mar. 31
Johnston Press	Mar. 31
North Sea Assets	Mar. 12
Northern Electric	Jul. 2
Steel Burrill Jones	Mar. 16
Thornton Asian Emerging	Mar. 19
WPP	Mar. 18
Wassall	Mar. 19

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 11.03.92: Pool purchase price £/MWh	Final Prices for Trading on 10.03.92: Pool purchase price £/MWh	Final Prices for Trading on 10.03.92: Pool selling price £/MWh
0030	16.77	17.13	17.13
0100	16.94	17.46	17.46
0130	16.93	17.47	17.47
0200	16.94	17.47	17.47
0230	16.80	17.16	17.16
0300	16.79	17.16	17.15
0330	16.75	17.14	17.14
0400	16.71	17.12	17.12
0430	16.71	[illegible]	17.10
0500	16.68	17.10	17.10
0530	16.79	17.07	17.07
0600	16.86	17.02	17.02
0630	16.89	17.08	17.08
0700	17.89	17.39	17.39
0730	17.93	18.02	20.36
0800	18.16	18.09	20.44
0830	18.18	25.82	28.45
0900	18.38	25.82	28.44
0930	20.29	18.48	20.84
1000	22.61	18.48	20.85
1030	22.61	18.48	20.85
1100	18.39	18.09	20.44
1130	18.39	18.29	20.64
1200	25.52	20.07	22.49
1230	25.51	25.82	28.45
1300	25.50	25.82	28.42
1330	18.24	18.09	[illegible]
1400	18.24	17.99	20.33
1430	18.24	17.88	20.22
1500	18.24	[illegible]	20.22
1530	17.01	18.02	20.36
1600	18.24	18.02	20.36
1630	[illegible]	18.11	20.46
1700	19.89	22.48	25.29
1730	22.30	25.61	28.64
1800	22.31	28.92	32.15
1830	23.17	27.83	30.83
1900	27.31	21.82	24.38
1930	27.30	20.93	23.36
2000	27.16	[illegible]	20.78
2030	18.18	18.04	20.37
2100	18.15	17.88	20.22
2130	16.94	17.14	17.14
2200	16.89	17.09	[illegible]
2230	16.86	17.08	17.08
2300	16.81	17.07	17.07
2330	16.73	17.04	17.04
2400	16.73	17.04	17.04

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of [illegible]

NGC Settlements Limited

NEWS DIGEST

Pacer $1.14m in the red

DELAYS on a US Navy contract led Pacer Systems, the USM-traded defence electronics company based in Massachusetts, to report a pre-tax loss.

Losses for the year to end-December totalled $1.14m (£640,000), compared with $1.56m profit last time.

Mr John Rennie, chairman, said Pacer lost $3m on a fixed price US navy contract for an acoustic signal generator, a device which can be used to simulate underwater acoustics or as part of an anti-submarine system. Due for delivery last year, the first device was not supplied until earlier this month.

Turnover slipped 10 per cent to $25.2m ($27.9m). This was due to lower sales of the company's flight simulators and air data systems, chiefly used on helicopters such as the Apache.

Losses per share totalled 13 cents (earnings 8 cents). But Mr Rennie said the company's prospects remained favourable and the directors have proposed a same-again final dividend of 3.5 cents, making an unchanged total of 6.5 cents.

Castle Communs advances to £0.85m

Castle Communications, which markets audio and visual rights, saw pre-tax profits improve from £759,000 to £853,000 in the six months to December 31.

The results for the USM-quoted company were helped by cost cutting, including the closure of a number of subsidiaries and higher profits from licensing activities.

As a result of the closures turnover fell to £15.6m (£19.4m). Earnings per share came out at 7.4p (7.1p) and the interim dividend is being maintained at 4p.

Castle owns a substantial number of 1960s and 1970s recorded music copyrights which it is having revalued "in view of the current interest in the value of such catalogues".

American Trust assets at 210.3p

Net asset value per share of the American Trust stood at 210.3p at January 31. That was virtually static compared with the 210.6p standing six months earlier but some 30 per cent higher than the 161.8p of January 1991.

Earnings per share for the 12 months to January amounted to 4.77p (4.51p) and a proposed final dividend of 3.3p makes a 4.8p (4.7p) total.

Acquisition helps Wyevale to £2.86m

Wyevale Garden Centres reported a 36 per cent advance in pre-tax profits for 1991 helped by the acquisition of Cramphorn and the opening of five new centres in the period.

On turnover 25 per cent higher at £22.7m (£18.2m) pre-tax profits were £2.86m (£2.1m). Earnings came out slightly ahead at 8.8p (8.6p) and the total dividend is lifted to 3.72p (3.375p) with a proposed final payment of 1.24p.

In the first two months of the present year the Hereford-based company said that sales were more than doubled with a 29 per cent rise on a like-for-like basis.

Unigroup declines to £304,000

Pre-tax profits at Unigroup, the building products and garment manufacturer, fell from £708,000 to £304,000 in the six months to end-December.

Mr Tunku Imran, chairman, said that although the timber division continued to perform satisfactorily the building products division had been severely affected by the economic situation in Europe and the UK in particular.

The clothing division continued to suffer from low high street demand and reduced margins and the company is evaluating its future.

Turnover rose to £11.6m (£11.1m) but operating profits fell to £562,000 (£854,000) and there were increased interest and other charges of £258,000 (£146,000).

Earnings per share dropped from 1.9p to 0.58p.

27% take-up for Bromsgrove rights

Bromsgrove Industries, the Birmingham-based specialist engineering conglomerate, yesterday announced that only 27.5 per cent of shareholders had taken up its 1-for-4 rights issue at 105p per share to raise £10.75m.

The balance has been subscribed for by underwriters, which include a number of Bromsgrove's institutional shareholders. The shares yesterday closed 1p up at 104p.

Mr Stephen Hayes, finance director, said the take up was in line with expectations since a significant amount of the group's big shareholders had underwritten the cash call.

Institutional shareholders, which held 70 per cent of the stock before the cash call, now hold about 80 per cent of Bromsgrove's shares.

The rights issue should eliminate gearing, which, at end-September, was 31 per cent.

Conrad Continental shows improvement

Conrad Continental, the Manchester-based leisurewear and sports group, yesterday reported a virtual break-even in the second half of 1991.

The pre-tax loss for the year emerged at £378,000 compared with a first half loss of £380,000 and with a loss of £680,000 for the whole of 1990.

In a deal worth up to £750,000 Conrad is acquiring Matchwinner, a Glasgow-based supplier of replica strips and related products for sports clubs.

Conrad expects to sign agreements to supply a further two clubs before the start of the 1992/3 season.

Mr Bobby Charlton, former Manchester United and England international footballer and a director of Conrad, said that Conrad had a leading presence in worldwide sports coaching and promotion and this acquisition represents an opportunity to enhance this position.

Turnover of continuing businesses for 1991 amounted to £7.86m, compared with £6.31m. Losses per share came out at 1.7p (3.51p) and again there is no dividend.

Clondalkin rises to I£13.6m

Taxable profits of Clondalkin Group, the Dublin-based company involved in printing and packaging, expanded from I£11.9m to I£13.6m (£12.7m) in 1991 with the strongest growth coming from the US.

A number of factors were responsible for static sales of I£151.1m (I£151.6m), including raw material prices.

Tax at 24 per cent (21 per cent) accounted for I£3.22m (I£2.5m) and left earnings at 25.08p (22.64p). A proposed final dividend of 2.683p makes a 4.381p (4.056p) total.

At year-end net debt had been reduced from I£10.6m to I£1.58m.

Directors are to seek shareholders' approval for the purchase of up to 15 per cent of the company's issued equity.

Blackwood Hodge acquisition boosts BM

By Jane Fuller

THE BENEFITS of buying Blackwood Hodge, the international distributor of earth-moving equipment, showed through in BM Group's results for the six months to December 31. The company also announced it had taken a controlling stake in British Building and Engineering Appliances.

Pre-tax profit at the construction equipment distributor and engineer advanced by 28 per cent to £17.3m (£13.5m) on turnover of £229.3m (£148.8m). Interest costs rose by nearly £2m to £5.68m.

Blackwood, which was incurring losses before the takeover, was included for six months instead of about seven weeks. Mr Carl Young, finance director, said that 50 per cent of the group's *first-half sales and* £4.5m of profit could be attributed to it.

The picture was, however, complicated by the sale of BM products, such as Mustang skid steer loaders and Benford dumpers, through the Blackwood network.

The UK's share of group turnover had fallen to 35 per cent. It would rise to about 50 per cent with the inclusion of Thomas Robinson, the engineering group acquired three weeks ago in a £41m all-share deal.

Mr Roger Shute, chairman, said that in North America, Mustang had increased its US sales by 55 per cent. Canada *was showing signs of recovery.*

Net debt stood at about £88m at the end of December. After the £60m rights issue accompanying the Robinson deal, gearing had fallen below 45 per cent.

Diluted earnings rose to 13.3p (11.3p). The interim dividend goes up to 2.1p (1.6p).

BM intends to inject its UK building products activities – approaching £50m of annual turnover – into BB and EA, where it has paid £2.5m for a 58 per cent family stake, taking its holding to 83.7 per cent. It has to extend its 355p a share offer to other shareholders, but only plans to retain 75 per cent.

● COMMENT

When BM bought the struggling Blackwood Hodge, there was concern that it would be dragged down by it. The reverse has happened, partly because of the admirable ruthlessness applied to Blackwood's costs and partly because of the scope provided by acquisition accounting for shoving the write-offs below the line. Blackwood could not afford to attack its languishing UK operation because of unrelieved ACT. BM has done it and can tap tax losses. The commercial synergy has proved just as strong, with a new world of outlets opened up *to BM's manufactured goods.* Thomas Robinson, more of a ragbag, may take longer to bear fruit. For the full year, a repeat of last year's second-half performance, plus further savings, should see pre-tax profit rise to between £40m and £45m (£34.1m), a prospective p/e of 13 on yesterday's close of 405p. As a certain amount has to be taken on trust – there was, for instance, no divisional breakdown – this seems high enough until a new wave of analysts has been convinced of BM's, and not just Mr Shute's, merits.

Muddy Fox goes into administration

By Andrew Baxter

MUDDY FOX, the Wembley-based company whose fox's pawprint has become one of the best-known trademarks in the world bicycle industry, has been placed in administrative receivership because of a downturn in sales and financial difficulties.

Mr Nick Lyle and Mr Nigel Atkinson, partners in Touche Ross, have been appointed as joint administrative receivers for the privately-held company, which was formed in 1983.

Turnover increased from £2m in 1987 to £8.5m last year, building on the reputation of its bikes, which in the UK cost between £95 and £1,350, for ruggedness and reliability. But competition has intensified at both the premium end of the market through the entrance of Cannondale and Trek, two strong US producers, and in the cheaper ranges.

Mr Lyle said yesterday that the company had "a prestige range of mountain bikes of appeal to both rural or urban users. We hope to sell the business as a going concern together with its valuable registered trademark. The level of interest in the company so far is very encouraging." Muddy Fox bicycles are manufactured mainly in the Far East from UK designs. There are distribution centres in London and *Germany supplying a* European dealership network.

Logica down 54% despite good US result

By Alan Cane

LOGICA, one of the few large, publicly-owned UK computing services companies still in British ownership, saw first half *pre-tax profits fall 54 per cent despite the* return to profitability of its troubled North American subsidiary.

The fall in profits – from £4.67m to £2.15m – was caused by write-offs following a decision to pull out of a loss making venture in television technology. Turnover for the six months to end December was 3 per cent up at £98.6m (£96.1m). Earnings per share came out at 2.1p compared with 4.4p last time.

The interim dividend is being maintained at 1.15p, a reflection, according to Mr David Mann, managing director, of the uncertainty of the six months ahead.

The company finished the period with *broadly unchanged cash balances of* £14.9m. The share price fell 4p to 187p.

Logica's profitability in recent years has been hindered by its North American losses; the US operation, however, made a pre-tax profit of £400,000 – the consequence of restructuring and tight financial control – compared with a loss of £1.8m last time.

Overall operating profits were reduced by some £1.6m as a result of the company's decision to withdraw from a project called "Playout" dealing with the automation of television studios. The loss was unexpected and surprised analysts who had been anticipating first half profits of £3.5m. *Logica made small losses in continental* Europe despite an 8 per cent growth in revenue as the result of acquisitions by its Italian subsidiary.

Mr Mann said associated undertakings including Speedwing Logica, a joint venture with British Airways, were peforming well. The company, which makes about 50 per cent of its revenues from fixed price contracts, has customers including ANZ Bank in Australasia, the Public Records Office in the UK and the European Space Agency.

Marling warns of loss as sales fall is forecast

By Andrew Bolger

MARLING INDUSTRIES, the industrial textile and vehicle body manufacturer, has warned of a loss for the year to March 31 1992. The company's shares fell 29p to 67p on Monday but held that level yesterday.

Mr David Abel Smith, formerly managing director of Benjamin Priest, the Midlands engineering group, was appointed chief executive of Marling in January. He is carrying out a review of the group's businesses and expects to report in two months' time.

In December Marling blamed a drop in demand at Boalloy, its commercial vehicle body *manufacturer, when it* reported a drop in interim pre-tax profits from £2.85m to £593,000 and cut its dividend.

Marling said yesterday that turnover in the second half would be well below the £51.64m achieved in the first half, and the group would show a loss before taxation and reorganisation costs. In the year to March 31, 1991, Marling made pre-tax profits of £3.6m on sales of £121.8m.

Marling is building up manufacturing facilities in its joint venture with Electrolux to produce one-piece airbags for automobile passenger protection. Mr Abel Smith said it would be some time before it would be possible to forecast *when that venture would con*tribute to group profits.

Holiday Inn upgrades software for reservations

By Nikki Tait in New York

HOLIDAY Inn, the international hotel chain owned by Britain's Bass group, yesterday announced a $60m (£34m) upgrading of its computer reservation system.

One advantage, according to Holiday Inn, of new software is its ability to factor in the desired length of stay, as well as price and room availability on a given night.

The company explained yesterday that a customer who wanted a room, at a certain price, for several days would currently be turned away if it were not available on the first of those nights.

The more sophisticated software, however, would check whether such a room was available for later nights, and then adjust back to offer a different room, at the given price, for the first night.

Holiday Inn acknowledged that the new system might reduce average room rates, but claimed that improved occupancy levels – estimated at three percentage points – should outweigh that. It calculated lost revenues of around $125m in the US as a result of the current inability to include length-of-stay considerations.

Installation of the improved hardware and software, which are financed by Holiday Inn and come at no cost to franchisees, will begin in the autumn, *and should be in all properties* within two and a half years.

ICI in £50m venture to make CFC replacement

By Daniel Green

ICI is to invest £25m in a joint venture in Japan to make ozone-friendly refrigerants. Its partner is Teijin, the Osaka-based fibres and chemicals company.

The venture will build a £50m plant at Mihara, near Hiroshima, the site of an existing collaboration between the *two companies to make* agricultural products.

Teijin will be responsible for the production of the material, Klea 134a. ICI, which developed it, will market it for use in refrigerators and air conditioning units. "We are the first with plants in Europe, North America and Asia to make CFC replacements," said ICI Fluorochemicals yesterday.

Klea 134a is designed to replace chlorofluorocarbons, which are blamed for damaging the atmosphere's ozone layer.

The new factory will serve Asian-Pacific markets and will have an initial capacity of 5,000 tons a year when it comes on stream in 1993. ICI said it was in talks with vehicle makers in the region on supplying the chemical for air conditioning systems. Possible customers include vehicle manufacturers in China and Australia.

The market for CFC replacements is growing rapidly as governments respond to the environmental dangers by insisting that alternatives are used. General Motors is to use Klea 134a from an ICI plant in Louisiana in its cars and truck air conditioning systems.

ICI's first Klea 134a plant, in Runcorn, Cheshire, opened in 1990.

Consid Venture net assets rise

Consolidated Venture Trust announced net asset value increased from 211.5p to 275.5p over year to January 31. At July 31 the figure was 263.5p.

Pre-tax profits for the year to end-January were £412,000 (£8,000 losses) for earnings per share of 2.12p (losses of 0.45p). *The proposed single final dividend* is 1.5p (nil).

Trevor Humphries

Michael Doherty (left) and Robert Wood

Plaxton reverses into a £6.8m loss

By Peggy Hollinger

THE SEVERE downturn in the vehicles market pushed Plaxton Group, the coach manufacturer and motor distributor, into a £6.8m pre-tax loss for the year to December 31.

That was a swing of £11m compared with the profit of £4.2m returned for the preceding 12 months.

Mr Robert Wood, chief executive, said demand for coaches and buses had fallen by about 40 per cent last year, while the new car market had declined by 21 per cent. Turnover fell from £385.1m to £334.4m.

As a result, the group had closed three of its four coach and bus plants and cut 600 jobs over the last 18 months. Annual overheads in the bus and coach division had been cut by £4m and the operation incurred a loss of £2.96m. The restructuring and introduction of new coach ranges resulted in exceptional charges of £2.86m. A further £2.1m in extraordinary charges arose from the closure of a coach factory in France.

Coach and bus stocks had been reduced by about £7m. Mr Wood said the group aimed to cut stocks by a further £6m to £8m. He said he did not expect a significant recovery in the coach division until 1993.

Operating profits in the motor division tumbled by 47 per cent to £3.5m. Mr Wood said virtually all of the decline was due to falling demand for new cars.

To highlight the importance *of the motor division, which* represents 70 per cent of turnover, Plaxton plans to change its name to Henlys, the title of the distributor purchased in 1989.

Interest charges were unchanged at £4.7m, although Plaxton said the year-end debt of £31m now included £7m previously held off balance sheet.

A proposed final dividend of 2p (1.5p) makes a 3p (4.5p) total. Losses per share of 16.7p compared with earnings of 9.1p.

The group announced yesterday that Mr Derek Edwards, a former director of RTZ, would become the board's second non-executive director. Mr Michael Doherty was appointed non-executive chairman in November.

● COMMENT

The increased final dividend indicates that Plaxton is confident of more than just survival. The high stock levels of a year ago have been reduced to sustainable levels – and still there is more to come; the motor division is returning a profit, unlike many competitors; and new management appears determined to quash criticisms by bringing all debt on balance sheet. Assuming the economy does not get worse, it could well be that *Plaxton has defied the sceptics.* Forecasts are pitched at break-even to £1m profits, although the coach business will continue to incur losses. Risk-takers may find the stock attractive, while the more cautious *are likely to wait for definitive* proof in the next set of results.

COMMODITIES AND AGRICULTURE

Brazil to launch $1.5bn farm credit package

By Christina Lamb in Rio de Janeiro

BRAZILIAN PRESIDENT Fernando Collor is expected to launch a new $1.5bn agricultural package tomorrow to provide credit for marketing the near record harvest expected.

After its disastrous performance of 1990 Brazil's farm sector has seen an impressive turnround since government credits were finally released last October, just in time for planting. According to Mr Antonio Cabrera, the agriculture minister, this year's harvest will amount to 69.6m tonnes – the second highest total ever.

The recent release of credits marks a radical reversal in the government's policy. The strategy adopted by Ms Zelia Cardoso, the former economy minister, of scrapping subsidies and using imports to force down prices in the 1990-91 season, resulted in a 7m-tonne shortfall in food products and a foreign exchange loss through lost export earnings and increased imports that Banco do Brasil estimates at about $3.5bn. Moreover, the rise in wholesale food prices has been a major source of inflation, increasing 513 per cent compared with yearly inflation of 470 per cent.

By contrast Ms Cardoso's successor, Mr Marcilio Marques Moreira, who took office last May, sees the recovery of the farm sector and a bumper harvest as crucial weapons in the fight to reduce the inflation rate and restimulate the economy in Brazil's interior.

This year's increased output is mainly due to higher yields rather than increased acreage. The amount of land under cultivation has increased by only 2.6 per cent while the harvest is expected to be more than 20 per cent up. The director of a major food processing company explained "although Zelia's policy was absurd and had no basis in reality it did have one positive result – the weeding out of inefficient farmers".

Tomorrow's 30-measure package will include the allocation of Cr300bn (£100m)in loans for marketing purposes, at real interest rates of 9 per cent a year for small- and medium-scale producers and 12 per cent for large producers. A further Cr650bn will be released to help finance the planting of the winter crops, particularly of wheat. The government is hoping to raise this year's wheat production to 4m tonnes from last year's 3m tonnes. Domestic consumption is about 7m tonnes.

The remaining money will be for financing the purchase of farm machinery and soil nutrients.

Mr Collor will also announce the creation of rural funds to attract foreign investment, hoping to capitalise on $1bn in foreign money which has entered the Brazilian bourse since it was opened up to foreigners last July. Analysts say, however, that they doubt the ability of the Brazilian agricultural sector to attract foreign investment.

The package follows $100m in credit released last month to cocoa growers in the north-east to refinance debts, help combat witches broom disease and to diversify production, and Cr1,000bn made available in October in low interest credits, reduced from 18 to 9 per cent, and reduced tariffs for pesticides.

Mr Cabrera now says that, apart from wheat, it will not be necessary to import basic foodstuffs in 1992. In a recent interview he defended the government's reversal in policy arguing, "subsidies should be given for harvesting in as much as they guarantee domestic supply. The classic error of Brazilian agriculture in the past was to subsidise the intention to produce".

Low aluminium prices forecast to halt capacity expansion

By Kenneth Gooding, Mining Correspondent

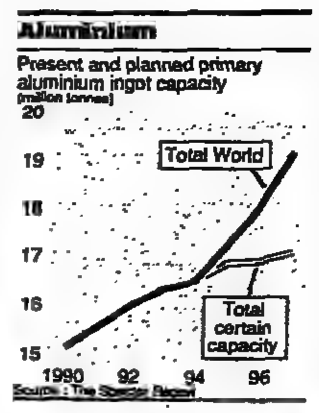
ALUMINIUM SMELTER expansion plans are about to come to a halt, suggests the New York-based Spector Report in its latest survey of primary aluminium capacity.

"After 1994 almost all the planned capacity additions fall into the uncertain category," it says.

"The industry cannot justify building new capacity until aluminium ingot prices rise to 75 cents a lb ($1,653 a tonne) and remain at that level for a sustained period of time. With prices under 75 cents a lb, cash flow generation would be insufficient to cover debt service, especially in the early years of a project.

Last night the cash aluminium price closed at 57.6 cents a lb on the London Metal Exchange.

The report suggests that at present prices it is "next to impossible" to finance a new smelter project – including those government-sponsored projects in less developed countries where political risks are high.



It points out that this year four smelters will start up, adding 1.1m tonnes to the industry's installed capacity base. In 1993 two projects will add another 167,000 tonnes. Two small additions will add 75,000 tonnes in 1994.

In 1991 the industry outside the former eastern bloc countries added 3 per cent to capacity to take it to 15.6m tonnes, according to Spector. This year capacity will increase by 2.8 per cent to 16.1m tonnes. In 1993 capacity increases by another 2.3 per cent to 16.4m tonnes and in 1994 by 0.8 per cent.

The report points out: "Projects now in the very early planning phase due for completion in 1995 could add 4.6 per cent to industry capacity. This could be followed by capacity increases of 4.3 per cent and 6.2 per cent in 1996 and 1997 respectively. However, until ingot prices rise, most new projects planned for 1995 and after are graded as uncertain".

It suggests that, if ingot prices do not rise to at least 75 cents a lb by 1993, capacity, especially in Europe, may have to be closed.

The Spector Report: primary aluminium capacity and expansion 1992-97. From PO Box 467 Hewlett, New York 11557, US.

Trade plan sows wrath of Chilean grape growers

Leslie Crawford on a move to allow Argentine competitors to ship through the country's ports

FRANCISCO ECHEVERRIA lost his faith in modernity around 1850, when the latest mining equipment he had imported from Britain caught the trailing garments of his Parisian bride and ripped her to shreds. Echeverria never returned to his foundry in the valley of Copiapó, an oasis in the Atacama desert that was the centre of Chile's feverish mining boom 150 years ago.

He would not recognise his barren valley today. Thousands of acres have been reclaimed from the desert, which is now carpeted with row upon row of delicate grape vines. Under the harsh midday sun, the grey, almost colourless mountains that rise on either side of the valley are in stark contrast to the deep green trellises below.

Chile has an exceptionally long grape harvesting season. It starts at Copiapó in November and follows the sun to and south of Santiago in March or April. A 20,000-strong labour force also follow the sun. The largely female workers leave their families at the start of the summer and put up in rough accommodation offered by large estates and packing plants, swelling small towns like Copiapó at weekends.

Desert reclamation, which began 10 years ago, is an expensive business. Because the Copiapó river is little more than a brackish trickle, deep wells must be dug to tap the valley's water table. The grape vines are watered by drip irrigation, which rations the most precious commodity in the desert.

Initial outlays are high – requiring a typical investment of $5,000 an acre – and yields are much lower than in the orchards around Santiago. But handsome profits are earned from Copiapó's early produce at a time when fresh grapes are not available anywhere else in the world. The first fruits of the valley can fetch up to $40 per 8.2 kg box when they arrive at the port of Philadelphia in November. By March prices have fallen to about $11 a box.

A shiver of fear swept through the Copiapó valley earlier this month when the government announced plans to allow Argentine fruit exporters a Pacific outlet through the port of Caldera. The opening of Chilean ports to Argentine trade next year forms part of an economic integration accord signed in 1990. Instead of trundling through hundreds of kilometres of pampas to reach Buenos Aires, fruit exports from northern Argentina will only have to make the relatively brief trip across the Andes before setting sail.

Fear rapidly turned to indignation. Chilean producers do not want competition from Argentina, which harvests in the same months. But over and above this, they are terrified that the transit of fresh Argentine produce through the valley of Copiapó might bring pests such as the Mediterranean fruit fly.

Copiapó's early produce earns handsome profits

Up to now, the desert, the Andes and the Pacific Ocean have formed natural barriers against infestation. The Chilean Ministry of Agriculture promises to apply quarantines and strict sanitary controls at border crossings, but fruit growers have not been pacified. "Any lorry driver could bring the Medfly in an apple in his packed lunch," says Mr Guillermo Irrarazabal, who works for David del Curto, Chile's biggest fruit exporter.

For Chile's fruit business, which earned close to $1bn last year, the double-edged sword of competition and infestation conjures visions of Argentine orchards riddled with uncontrollable plagues all storming the Andes. Mr Ricardo Ariztia, president of Fedefruta, the fruit producers federation, says he cannot understand why the government is willing to put Chile's fruit exports at risk. "We are strongly urging the authorities to reconsider this decision," he says.

Foreign markets, particularly in Japan and the US, are hard to win and easily lost. "An outbreak of Medfly could wipe out years of marketing efforts," says Mr Mauricio Meyer, a quality control expert.

As an example, Mr Meyer recalls that the Chilean Exporters' Association had to build a $1m experimental station in the middle of the Atacama desert to prove to Japanese trade officials that the Mediterranean fruit fly could not cross the desert and was killed by 10 days in cold storage. "This despite 20 years of published research already proving the point," he concludes, a note of exasperation creeping into his voice.

Japan has just put Chile through a tough five-year test period to monitor the quality of its fruit. The US recession, which has depressed demand for Chile's produce, has put exporters in a fighting mood. They are working hard to open new markets in Asia's Pacific Rim countries. The last thing they want is Argentine rivals muscling in on their territory.

MEPs warned on farm reform amendments

By Andrew Hill in Strasbourg

EURO MPs' amendments to the proposed reform of the European Community's Common Agricultural Policy risk undermining the aims of the plan, Mr Ray MacSharry, the EC agriculture commissioner, warned last night.

The European Parliament will vote on the amendments today and is expected to come down broadly in favour of the European Commission's proposals.

But Mr MacSharry warned MEPs during yesterday's debate that Brussels "could not accept amendments whose effect would be to profoundly change our approach, or to add significantly to the budgetary costs".

Mr MacSharry singled out the cereals sector, which is at the core of the commission's proposals. The parliament's agriculture committee wants to maintain higher prices than those proposed by Brussels and to spread price reductions over a longer period.

Mr MacSharry said he had "the gravest doubts whether the objective of attaining a stabilised world price level could be achieved at more than Ecu100 [£71 a tonne]", which would be one effect of the MEPs' amendments.

"This price is essential to keep community cereals competitive, and with the substantial compensation being made available to producers, there are no solid grounds for fixing a price that would stop short of our objective or for delaying the timetable for reaching that price," he added.

EC agriculture ministers met last week to discuss the reform package, but the meeting broke up inconclusively after a number of member states unearthed old objections to the principles of the reform.

UN plans commodity data service

By Frances Williams in Geneva

WITH PRICE stabilisation accords for commodities off the international agenda, their chief sponsor, the United Nations Conference on Trade and Development (Unctad), is seeking to harness rather than buck the market to help commodity exporting developing countries.

Unctad officials are developing a computerised commodity information system that they believe could transform marketing, investment and diversification decisions by governments and private companies. Micas (micro-computer based commodity information and analysis system), now in a pilot phase, should eventually be capable of providing comprehensive, up-to-date information on all aspects of commodity use, production, trade and consumption at all levels from the world to the production unit.

Unctad's main aim is to help poor countries take sensible decisions on developing and managing their commodity economies with the aid of systematic and timely information.

This, officials argue, will enable them to compete more effectively on world markets. The system can be used for policy analysis within government or in the management of individual production units.

For instance, a policy-maker in the Philippines looking at the options for further processing of coconuts could, at the touch of a computer key, display the most recent figures on worldwide trade in coconuts and coconut products, trends in production, consumption and trade, production of and markets for coconut products by country and the names, production facilities and capacity utilisation of every company involved in coconut products.

Demonstrations of Micas in 15 Asian countries, including India, China and Japan, have shown the potential usefulness of the system, says Mr Jay Colebrook, who is in charge of the project. The database includes existing Unctad trade information and can tap the computerised agricultural statistics of the Rome-based Food and Agriculture Organisation. Micas will also contain information on upwards of 50,000 companies around the world.

If all goes well, Unctad plans to supply the software to developing country users free of charge on condition that they undertake to feed the system with the necessary (non-confidential) information. The UN agency aims to meet the running costs by selling information to private companies.

Mr Colebrook hopes next year to begin installing a pilot version of Micas, which has been developed with financial aid from the Italian government, in at least a dozen Third World countries in Asia, Africa and Latin America.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,720 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.40-2.90 (2.60-3.10).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.00-1.20 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 28.50-29.50 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-125 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.18-2.23 (2.20-2.25).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.20-2.35 (2.25-2.35).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.00 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+2,200	to 1,133,025
Copper	−1,175	to 301,150
Lead	+775	to 136,660
Nickel	+774	to 23,430
Zinc	+3,625	to 212,800
Tin	−155	to 12,400

WORLD COMMODITIES PRICES

MARKET REPORT

Gold was again testing the key $348 support level on the London bullion market and Comex yesterday. "The market seems to be in a stand-off right now," a New York analyst said at midday. "The charts are weak, but until support at $348 can be broken, gold will not drop sharply." Lack of investor interest continues to plague the market. Speculators still consider stocks and bonds better investments and fears of inflation have disappeared. On the LME three-month aluminium closed slightly ahead, but the market lacked the momentum to move back over $1,300 a tonne. Dealers said today's relatively small 2,200-tonne rise in LME stocks was constructive. January producer data, with total IPAI inventories up 40,000 tonnes, did not affect the market as the inclusion of Iranian data for the first time negated month-on-month comparisons. New York arabica coffee futures were firm at midday after recouping earlier losses. The market was awaiting a meeting of Brazilian coffee exporters who were due yesterday afternoon to discuss a possible return to an international pact with export quotas. In Chicago wheat futures plunged more than 7 cents shortly after midday on reports of unrest in the CIS.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.20-5.30w	+.025
Brent Blend (dated)	$17.25-7.35w	-.025
Brent Blend (Apr)	$17.50-7.60	+.05
W.T.I. (1 pm est)	$18.70-8.75w	+.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$193-194	-1
Gas Oil	$159-160	+1
Heavy Fuel Oil	$71-73	
Naphtha	$174-175	-3.5
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$348.50	-0.40
Silver (per troy oz)♣	417.0c	+1.0
Platinum (per troy oz)	$362.75	+1.25
Palladium (per troy oz)	$84.75	+0.5
Copper (US Producer)	105.66?	-0.063
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.11r	+0.07
Tin (New York)	261.25c	-0.25
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.05p	-0.47
Sheep (live weight)†♣	99.92p	-1.31
Pigs (live weight)†	91.94p	-3.96
London daily sugar (raw)	$210.5v	+1.5
London daily sugar (white)	$267.2v	+1.2
Tate and Lyle export price	£229.50	+0.5
Barley (English feed)	£121.0	+0.5
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq.	
Rubber (Apr)♥	53.50p	+0.50
Rubber (May)♥	53.75p	+0.50
Rubber (KL RSS No 1 Mar)	210.0m	+1.0
Coconut oil (Philippines)§	$640.0z	-10.0
Palm Oil (Malaysian)§	$395.0	
Copra (Philippines)§	$420.0w	-10.0
Soyabeans (US)	£157.0q	-1.0
Cotton "A" Index	54.90c	+0.2
Wooltops (64s Super)	460p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jun/Jly u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb w-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	186.40	182.20	186.20	183.00
Aug	190.40	187.60	187.00	
Oct	191.40	189.00	190.80	
White	**Close**	**Previous**	**High/Low**	
May	267.0	264.7	267.0	263.5
Aug	267.5	266.2	267.5	264.5
Oct	261.5	259.9	261.0	259.3

Turnover: Raw 121 (104) lots of 50 tonnes. White 1312 (993)
Paris- White (FFr per tonne): May 1523.84 Aug 1546.08

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Apr	17.48	17.44	17.61	17.40
May	17.57	17.56	17.66	17.47
Jun	17.65	17.65	17.73	17.55
Jul	17.65	17.67	17.71	17.54
Aug	17.68		17.70	
Sep	17.70	17.65	17.60	
IPE Index	17.48	17.49	17.48	

Turnover 20739 (11920)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Mar	158.75	158.50	159.25	158.00
Apr	159.75	158.25	160.00	158.00
May	161.00	159.00	161.25	159.00
Jun	162.75	161.00	163.00	160.75
Jul	164.50	163.25	164.50	162.75
Aug	166.50	165.50	166.50	165.00
Sep	169.00	167.50	169.00	
Oct	171.75	170.00	172.00	170.75
Nov	172.50	171.00	172.25	171.25

Turnover 10259 (12579) lots of 100 tonnes

JUTE
C and F Dundee, BTC US$390, BTD US$365 C and F Antwerp BTC US$390, BWC US$370, BTD US$350, BWD US$350.

COTTON
LIVERPOOL - Spot and shipment sales for the week ending 6 March amounted to 208 tonnes against 148 tonnes in the previous week. Moderate trading occured with support for West African, American and Paraguian growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	643	646	645	640
May	664	667	665	660
Jul	686	686	685	680
Sep	720	722	720	715
Dec	750	757	755	748
Mar	786	789	788	784
May	806	809	806	804

Turnover: 4416 (3653) lots of 10 tonnes
ICCO Indicator prices (SDRs per tonne). Daily price for Mar.9 819.87 (824.57) 10 day average for Mar.10 850.11 (863.65)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	812	810	808	795
May	831	830	833	814
Jul	854	854	855	836
Sep	875	878	875	864
Nov	897	902	898	892
Jan	922	930	919	

Turnover:2846 (2856) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Mar.9: Comp. daily 55.26 (55.00) 15 day average 54.81 (54.82)
Sterling close: March 0473

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	120.0	119.5	120.0
May	142.5	143.0	142.5
Apr	129.8	130.0	129.8

Turnover 6 (82) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	130.50		130.50
Jun	126.50	126.50	126.50

Turnover 35 (10) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Mar	1280		1280	1265
Apr	1330	1335	1335	1325
May	1320	1325	1325	1315
Oct	1285	1300	1299	
BFI	1232	1229	1232	

Turnover 136 (41)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	124.55		124.10	
May	127.30	128.65	127.30	126.80
Jun	129.15		129.00	128.50
Nov	115.90	116.05	115.90	115.85
Jan	118.65	119.65	119.65	
Barley	**Close**	**Previous**	**High/Low**	
Mar	116.50	115.00	116.50	
May	119.00	118.25	119.00	
Sep	108.55		108.50	

Turnover: Wheat 444 (175), Barley 101 (0).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	121.0		121.0
May	120.0	118.5	120.0
Jun	117.0	116.5	117.0

Turnover:11 (23) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 31,798 lots	
Cash	1259-70	1259-7	1266.5	1266.5-67		
3 months	1295-6.5	1291-2	1296/1288	1291-1.5	1295-6	153,636 lots
Copper, Grade A (£ per tonne)					Total daily turnover 19,334 lots	
Cash	1295-7	1285-6	1287	1287.5-88		
3 months	1322-3	1311.5-12	1326/1311	1313-13.5	1325.5-26	121,472 lots
Lead (£ per tonne)					Total daily turnover 2,276 lots	
Cash	300-1	296-7		295-5.5		
3 months	311-11.5	307-7.5	312/309	305-5.25	311-2	15,426 lots
Nickel ($ per tonne)					Total daily turnover 2,756 lots	
Cash	7510-20	7560-70	7615	7515-20		
3 months	7595-605	7650-55	7650/7560	7595-600	7560-70	23,062 lots
Tin ($ per tonne)					Total daily turnover 1,344 lots	
Cash	5620-30	5615-20		5630-35		
3 months	5660-65	5665-60	5670/45	5665-70	5650-55	5,606 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 9,138 lots	
Cash	1173.5-5.5	1180-81	1175.5	1175-5.5		
3 months	1186-7	1192-3	1190/1186	1187-8	1189-90	47,282 lots

LME Closing £/$ rate: SPOT: 1.7155 | 3 months: 1.6909 | 6 months: 1.6664 | 9 months: 1.6476

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	348.30-348.70	
Opening	348.30-348.30	
Morning fix	348.30	202.073
Afternoon fix	348.35	202.071
Day's high	349.20-349.60	
Day's low	348.00-348.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.63	6 months	3.64
2 months	3.63	12 months	3.65
3 months	3.63		

Silver fix	p/fine oz	US cts equiv
Spot	241.50	418.75
3 months	247.70	421.10
6 months	254.05	426.10
12 months	265.60	436.40

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	349.00-350.00	202.25-202.75
Maple leaf	361.00-362.00	209.25-209.75
New Sovereign	85.00-86.00	49.25-49.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1200	101	111	11	15
1300	39	49	40	52
1400	10	17	119	118
Copper (Grade A)	**Calls**		**Puts**	
2150	100	108	8	21
2250	35	49	43	61
2350	7	18	114	126
Coffee	**May**	**Jul**	**May**	**Jul**
800	41	74	10	20
850	15	44	34	40
900	8	28	73	72
Cocoa	**May**	**Jul**	**May**	**Jul**
625	45	78	8	8
750	20	59	14	14
675	10	44	27	24
Brent Crude	**Apr**	**May**	**Apr**	**May**
1750		43	11	36
1800		30		
1850		11		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	349.0	348.9	0	0
Apr	349.8	349.7	350.3	348.8
May	350.9	350.8	0	0
Jun	352.0	351.9	352.4	351.0
Aug	354.3	354.2	354.6	353.5
Oct	356.6	356.5	356.3	356.2
Dec	359.1	359.0	359.6	358.5
Feb	361.7	361.6	0	0
Apr	364.3	364.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	365.1	365.1	0	0
Apr	363.7	363.0	364.9	362.0
Jul	362.7	362.5	363.5	361.5
Oct	365.2	365.0	366.5	364.5
Jan	365.2	365.0	366.5	366.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	414.4	415.7	416.5	415.0
Apr	415.6	416.9	0	0
May	417.3	418.8	420.5	417.0
Jul	420.6	422.2	423.5	420.5
Sep	424.4	426.0	427.0	426.5
Dec	430.0	431.6	432.5	429.5
Jan	431.7	433.3	0	0
Mar	436.1	437.7	438.0	439.0
May	440.7	442.3	0	0
Jul	445.3	446.9	447.0	447.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	101.95	100.80	102.10	101.25
Apr	102.10	100.95	102.05	101.70
May	102.05	100.90	102.20	101.15
Jun	101.75	100.75	0	0
Jul	101.50	100.60	101.60	100.80
Aug	101.25	100.35	0	0
Sep	101.00	100.10	101.10	100.20
Oct	100.85	99.95	100.60	100.60
Nov	100.70	99.80	0	0
Dec	100.60	99.70	100.70	100.10

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.30	8.24	8.42	8.28
Jul	8.49	8.33	8.50	8.37
Oct	8.55	8.42	8.66	8.49
Mar	8.80	8.64	8.71	8.65
May	8.71	8.74	8.74	8.70
Jul	8.73	8.78	8.76	8.75

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Apr	18.69	18.67	18.78	18.60
May	18.89	18.85	18.95	18.79
Jun	19.02	18.97	19.08	18.93
Jul	19.11	19.05	19.15	19.00
Aug	19.14	19.08	19.18	19.05
Sep	19.15	19.09	19.16	19.10
Oct	19.16	19.10	19.19	19.11
Nov	19.17	19.11	0	0
Dec	19.18	19.13	19.20	19.13
Jan	19.18	19.10	19.15	19.10

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Apr	5185	5118	5215	5125
May	5173	5108	5200	5120
Jun	5170	5118	5190	5130
Jul	5203	5146	5225	5160
Aug	5270	5218	5290	5260
Sep	5390	5341	5420	5380
Oct	5495	5451	5520	5500
Nov	5595	5551	5620	5610
Dec	5690	5651	5720	5700
Jan	5715	5681	5750	5740

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1001	1001	0	0
May	1037	1037	1044	1033
Jul	1074	1073	1081	1070
Sep	1110	1110	1115	1108
Dec	1154	1157	1158	1153
Mar	1194	1197	1195	1192
May	1222	1225	0	0
Jul	1252	1255	0	0
Sep	1285	1288	0	0
Dec	1320	1323	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	69.85	70.05	70.40	69.20
May	70.85	70.55	71.35	69.80
Jul	73.10	73.00	73.85	72.25
Sep	76.00	75.85	76.50	74.90
Dec	79.25	79.30	79.75	78.50
Mar	82.75	82.90	82.50	81.75
May	85.90	86.00	0	0
Jul	88.50	88.25	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	54.44	58.90	54.75	54.12
Jul	56.08	59.70	56.40	55.70
Oct	58.50	61.20	58.95	58.25
Dec	59.40	61.75	59.60	59.10
Mar	60.85	62.20	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	143.25	144.95	145.15	143.25
May	142.10	143.95	144.25	142.00
Jul	139.15	140.55	141.00	139.10
Sep	132.50	134.40	134.90	132.50
Nov	124.55	124.30	126.00	125.00
Jan	123.75	123.60	124.50	123.00
Mar	123.50	123.35	0	0
May	123.50	123.35	0	0
Jul	123.25	123.35	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar.10	Mar. 9	mnth ago	yr ago
1609.7	1614.0	1568.6	1700.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar.9	Mar.6	mnth ago	yr ago
Spot	118.45	117.84	119.36	126.11
Futures	122.72	122.56	123.06	129.83

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	588/4	592/4	593/0	585/4
May	596/2	600/2	601/2	593/0
Jul	606/2	610/4	611/4	603/4
Aug	610/4	614/4	615/0	608/0
Sep	614/0	618/2	620/0	611/4
Nov	622/6	627/0	629/0	619/4
Jan	631/6	635/0	636/2	629/0
Mar	640/0	643/4	645/4	637/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.73	20.86	20.92	20.80
May	20.94	21.13	21.20	20.75
Jul	21.27	21.45	21.49	21.06
Aug	21.45	21.61	21.67	21.22
Sep	21.58	21.72	21.82	21.36
Oct	21.68	21.82	21.70	21.50
Dec	21.89	22.10	22.25	21.82
Jan	22.07	22.22	22.10	21.97

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	175.3	175.5	175.8	174.8
May	177.2	177.4	178.0	176.6
Jul	180.2	180.5	180.9	179.6
Aug	181.1	181.5	181.5	180.7
Sep	182.3	182.7	182.7	181.6
Oct	187.2	187.7	197.5	196.6
Dec	199.0	199.4	199.3	197.8
Jan	199.6	200.0	199.6	198.6

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	269/0	271/4	274/0	268/2
May	276/0	278/6	279/6	274/6
Jul	280/6	284/2	285/0	280/0
Sep	274/6	278/6	278/4	274/6
Dec	270/6	274/6	275/6	270/2
Mar	276/6	280/6	280/4	276/4
May	279/2	283/2	283/6	279/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	410/4	411/4	416/0	406/0
May	400/2	403/2	409/0	395/0
Jul	386/0	389/6	395/0	381/0
Sep	390/2	393/0	398/0	385/4
Dec	398/2	402/0	407/4	393/0
Mar	400/4	403/0	408/0	397/0

LIVE CATTLE 40,000 lbs; cents/lbs

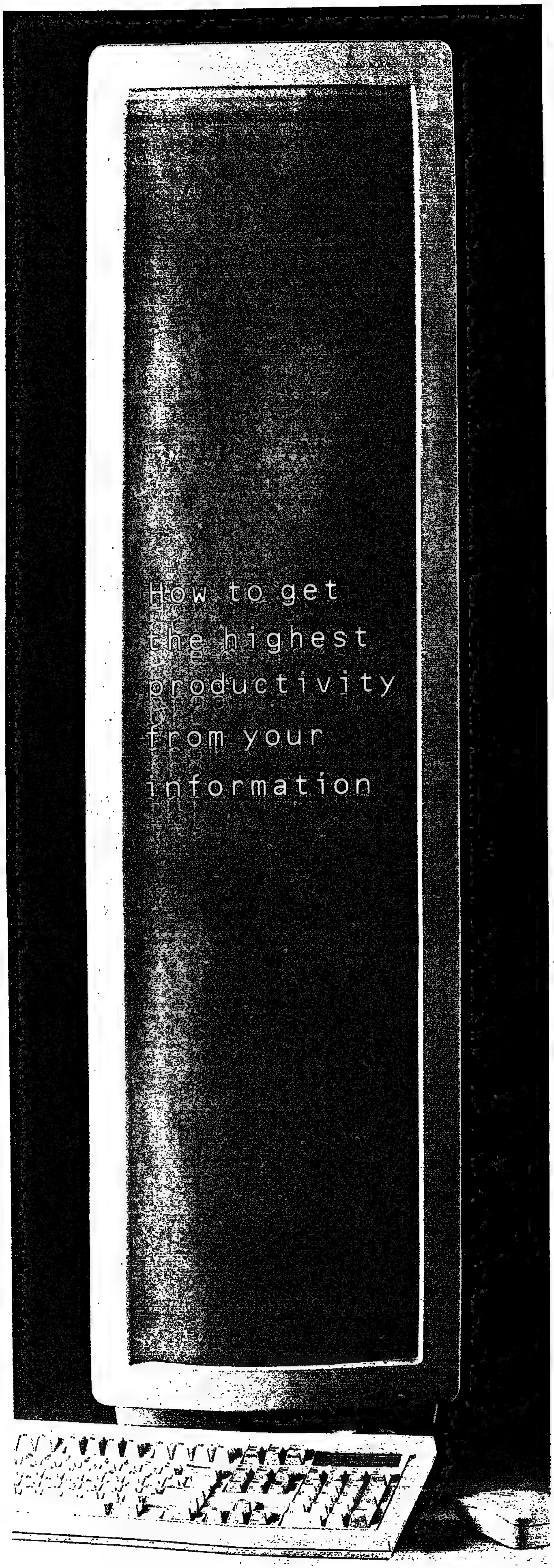
	Close	Previous	High/Low	
Apr	79.375	79.525	79.725	79.075
Jun	74.900	75.075	75.175	74.525
Aug	70.750	70.775	70.900	70.325
Oct	70.300	69.950	70.450	70.025
Dec	70.575	70.325	70.600	70.250
Feb	69.825	69.800	70.100	69.825
Apr	70.850	70.500	70.850	70.750

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	41.025	41.250	41.250	40.650
Jun	46.275	46.525	46.500	45.900
Jul	45.625	45.950	46.100	45.550
Aug	43.825	44.150	44.300	43.775
Oct	41.350	41.600	41.550	41.125
Dec	44.550	44.775	44.750	44.400
Feb	45.400	45.750	45.700	45.300
Apr	43.100	43.300	43.250	43.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	36.250	36.400	36.600	35.650
May	36.950	37.350	37.750	36.525
Jul	37.775	38.100	38.500	37.425
Aug	36.300	36.575	37.300	36.200
Feb	48.050	49.200	49.000	48.050
Mar	47.300	48.500	0	47.300
May	50.500	50.500	0	0



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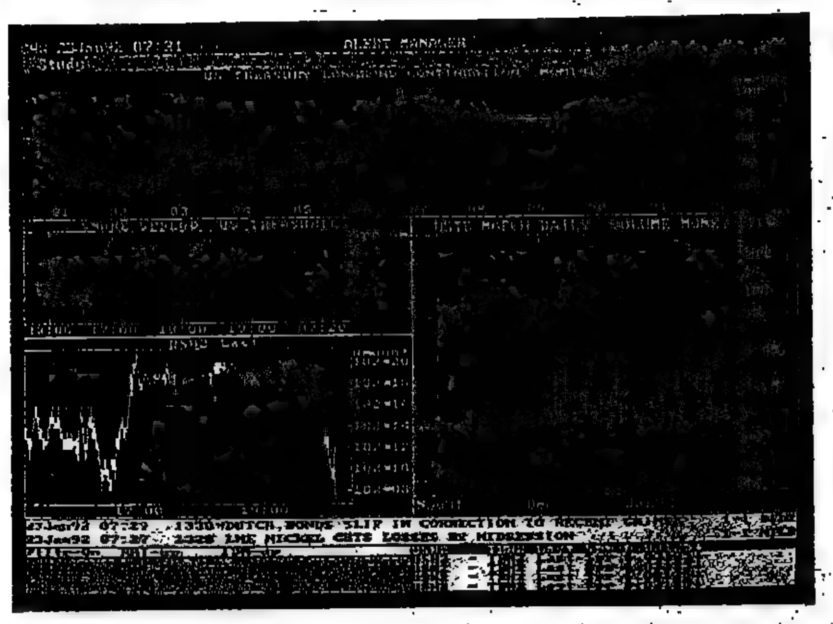

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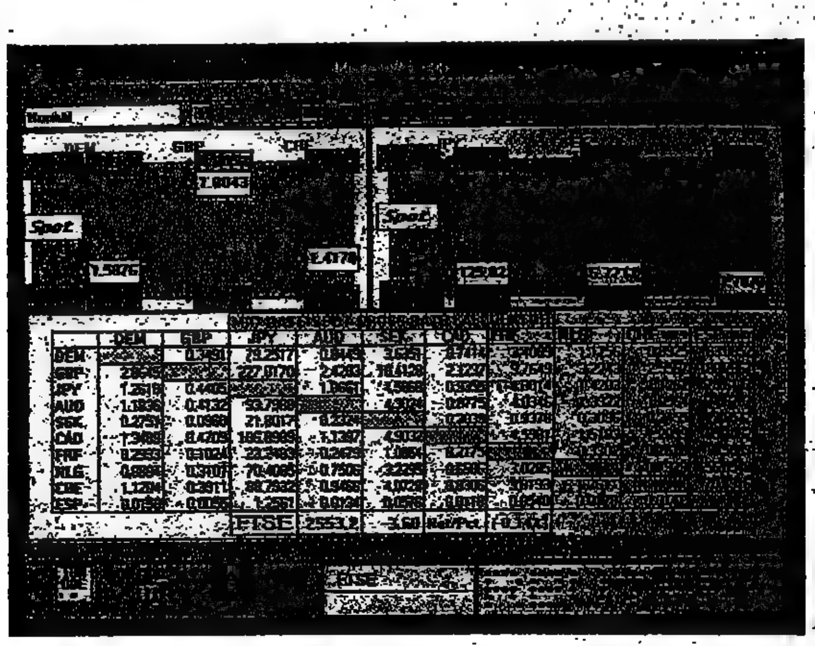

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LONDON STOCK EXCHANGE

Equities firm after the Budget speech

By Terry Byland, UK Stock Market Editor

THE BUDGET speech from the UK chancellor of the exchequer confirmed a firmer trend established in the stock market early in yesterday's session. After showing some uncertainty at first, share prices moved higher after mid-session as equities responded to a firmer trend in sterling and at the 4.30pm close, just before the chancellor finished speaking, the market was 24.1 points up 2,574.8, the best level of the day. However, equity market confidence was dimmed in late trading when the stock index futures sector lost ground.

The cyclical stocks, including building materials and stores, led the market advance in early trading, as sterling's firmness renewed expectations that base rates will be cut very soon. The Budget measures were seen as broadly favourable for brewery and similar consumer stocks, with the motor industry issues benefiting from the cuts in motor tax and car scale charges.

Account Dealing Dates		
*First Dealings:		
Feb 24	Mar 9	Mar 23
Option Declarations:		
Mar 5	Mar 19	Apr 2
Last Dealings:		
Mar 6	Mar 20	Apr 3
Account Day:		
Mar 16	Mar 30	Apr 13

*New-time dealings may take place from 9.00 am two business days earlier.

Trading volume appeared relatively good for a session in which the leading institutions were unwilling to take decisive investment decisions. But the Seaq-reported volume level of 431.7m shares took in a high proportion of intra market business as marketmakers struggled to pass stock on to the next dealer rather than allow share positions to rise.

While there was some nervousness over the estimated £28bn Public Sector Borrowing Requirement for next year, the stock market brushed off, for the time being, the downturn in the UK government bond sector. The absence yesterday of any cut in base rates left traders concerned that it might now be difficult to cut rates before the announcement of the UK election. Announcement of the election date, widely predicted as April 9, is expected before the end of the week.

On the wider implications of the budget strategy, the City of London appeared satisfied that its forecasts on economic growth and measures on personal taxation would enhance the chances of an election victory for the governing Conservative party.

The market made a difficult start after a bomb explosion in London brought a widespread security alert which delayed commuter travelling and caused two leading securities firms to evacuate their premises, albeit briefly.

Share prices were easier in early trading, but rallied when the stock index futures again opened firmly. Shares made good progress as traders continued to show confidence ahead of the Budget speech, timed to take place in the final hours of trading.

But it was sterling's improvement, mirrored by a softening in London money rates, which turned the equity market higher. The Footsie was 22 points up when the chancellor began to speak and, after some brief hesitation, edged ahead again as he ended his speech.

But the more significant response may have come from the stock index futures, where the March contract turned steadily downwards as Mr Lamont's speech progressed. This, together with the similarly negative response from sterling on the foreign exchange markets, may set the trend for this morning's opening trades in equities. However, a brighter spot on the market's horizon last night was the early gain on Wall Street which was 20 Dow points ahead in UK trading hours.

FINANCIAL TIMES STOCK INDICES

	Mar 10	Mar 9	Mar 6	Mar 5	Mar 4	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.42	87.52	87.22	87.42	87.76	85.01	88.55 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	100.75	100.58	100.50	100.79	101.01	93.40	101.56 (19/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share	2006.6	1984.4	1968.6	1970.6	1968.5	1947.8	2168.3 (2/9/91)	1606.3 (18/1/91)	2168.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	128.5	126.8	126.0	126.6	126.0	145.8	222.6 (11/7/91)	126.0 (4/3/92)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2574.8	2550.7	2533.1	2538.3	2558.4	2454.8	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1195.05	1187.62	1182.32	1187.90	1200.08	1127.78	1233.08 (4/3/92)	938.62 (16/1/91)	1200.06 (4/3/92)	938.62 (16/1/91)
Ord. Div. Yield	4.46	4.51	4.53	4.53	4.50	4.98				
Earning Yld % (full)	6.36	6.41	6.44	6.44	6.59	9.51				
P/E Ratio (net)	19.87	19.73	19.64	19.63	19.73	12.98				
SEAQ Bargains 5.00pm	26,259	34,983	38,173	38,656	34,671	43,856				
Equity Turnover (£m)	-	700.1	1092.6	1,126.4	1224.6	1260.87				
Equity Bargains	-	37,797	42,582	41,207	39,398	51,313				
Shares Traded (mil)	-	343.5	482.7	535.4	486.0	677.5				

Ordinary Share Index, Hourly changes — Day's High 2006.6 — Day's Low 1987.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1987.9	1991.8	1992.1	1991.3	1984.7	1995.1	1996.6	2003.2	2003.2

FT-SE 100, Hourly changes — Day's High 2574.8 — Day's Low 2554.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2564.9	2560.0	2557.9	2555.9	2558.7	2561.8	2564.1	2572.0	2571.5

FT-SE Eurotrack 200, Hourly changes — Day's High 1195.73 — Day's Low 1189.90

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1193.17	1190.81	1191.17	1181.84	1182.72	1194.14	1195.79

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83, FT-SE Eurotrack 200 26/10/90. SE Activity 1974.

GILT EDGED ACTIVITY

Indices*	Mar 9	Mar 6
Gilt Edged Bargains	97.6	102.4
5-Day average	107.4	109.3

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Wellcome under pressure

PHARMACEUTICALS group Wellcome declined on reports from Tokyo that a new drug manufactured by Fujisawa Pharmaceutical could have applications in the treatment of Aids, encroaching into Wellcome's lucrative market share.

Wellcome closed 9 lower at 1004p, having been sold down to 983p during early exchanges. Turnover of 1.7m shares was slightly above average. The relatively small fall was an indication that the development process was still at a very early stage. Mr Didier Cowling at Nomura said: "It may be a significant development, but it is very long term. In addition there is a good chance that it will eventually be a combination of drugs – most likely including Wellcome's Retrovir – which will be used to treat HIV and Aids."

Fujisawa jumped more than 5 per cent in Tokyo on Monday on the news that its FK-506 drug, developed to suppress the immune system in transplant patients, had been used in tests to stop the replication of human cells infected with HIV, the Aids virus.

Car sales boost

The motors sector was cheered by the chancellor's halving of new car tax to 5 per cent. The market was looking for such a move and the Budget statement lifted the motor distributors, although several had already moved ahead in anticipation.

Among the main moves recorded were Thomas Cowie, up 8 at 148p, Lex Service, ahead 10 at 244p, Pendragon, 8 higher at 196p, and Perry Group, 7 firmer at 169p. Mr Peter Deighton at Smith New Court said: "The market was looking for some help for the motor industry. This will do enough to help stimulate demand for new cars without seriously impacting on residual values." Meanwhile, bid speculation lifted BSG by 1¼ to 68p.

Allied-Lyons rallies

Brewing shares gained ground on news that the chancellor intends to increase excise duties only in line with inflation, putting just over a penny on a typical pint of beer. Allied-Lyons closed just a penny down at 649p, recovering from a day's low of 631p touched on the referral of a joint venture to the Monopolies and Mergers Commission. Turnover came to 2.6m shares.

The proposed venture between Allied-Lyons and the lager producer Carlsberg would give the Anglo-Danish group 20 per cent of the UK beer market, putting it in third place behind Bass with 23 per cent and Foster's, brewers of Courage beers, with about 21 per cent.

According to the Department of Trade and Industry, the joint venture raises competition issues in the UK beer market which deserve investigation. The commission will make its recommendation by June 12.

Generators weak

A call by the House of Commons' Energy Select Committee for a monopolies inquiry into the dominance of National Power and PowerGen in the UK electricity industry caused a flurry of selling pressure in the two stocks, which underperformed the rest of the utilities areas of the market.

Criticism of the two companies, coming hard on the heels of sell notes from some of the market's most influential broking houses, including BZW, left both stocks floundering against a fundamentally strong market.

National Power retreated 5 to 218p on relatively high turnover of 8.6m shares, while PowerGen dipped 6 to 227p on 7.7m traded.

A sharp rise in Redland of 18 to 476p substantially increased the value of its offer for Steetley to some 414p and helped to drive the latter up 15 to 402p. The market is now quietly confident that Redland will win the day with its bid, which closes on March 26.

There was nothing in the Budget proposals for the oil sector, which tended to lag behind the rest of the equity market. BP, still in the middle of a tug-of-war between UK brokers, largely bears of the stock, and those in the US, mainly bullish of the shares, began to creep higher, with dealers suspecting that one of the leading UK integrated houses may be about to give the shares a strong upward push. At the close BP were 4 firmer at 268½p.

The saga of speciality chemicals concern MTM continued yesterday as the chief executive and finance director resigned after two profit warnings in as many weeks and contradictory statements from the board over the state of the company's finances.

The shares slipped 14 to 105p, making a total fall of 181.5p since February 28. Most analysts are on a hold, Mr Martin Evans at Hoare Govett commenting: "At this price it is too late to sell, but equally too early to buy for speculative recovery."

Courtaulds regained further ground after its recent poor form, the shares adding 11 at 544p. A shortage of stock in Laporte helped to lift the shares 14 to 613p.

Healthcare group Fisons continued its volatile run, sentiment being affected by the weekend news that British scientists had made a significant breakthrough in the fight against asthma. Fisons manufactures and markets Intal, an anti-asthma drug, which had sales of £186m in 1991. The shares fell 11 to 371p in exceptionally heavy trading of 7.3m, described by one trader as "very speculative".

Medeva put on 4 to 286p as it revealed that it would be marketing a new oral anti-typhoid medication in the UK, Eire and Spain.

The Budget was generally seen as favourable for brewers, distillers and the cider industry, as duty rose in line with inflation and Mr Lamont said he would not accept a deal that would allow members of the European Community to levy no excise duty on wine they make but forces them to put up duties on spirits which we make. Bass climbed 23 to 573p, Grand Metropolitan 25 to 933p, Guinness 17 to 625p and Whitbread "A" 10 to 444p.

H.P Bulmer firmed 3 to 273p after the chancellor added that he would not allow Brussels to ride roughshod over the interests of the British cider industry.

Cable and Wireless followed Monday's good performance with another strong showing. Yesterday's rise was helped by a positive note issued by Girozentrale Gilbert Eliott, the stockbroker, whose telecoms specialist, Mr Marshall Whiting, described the shares as undervalued.

Mr Whiting said he expected a major contribution to come from UK mobile phones, along with high growth from Mercury, C and W's telecoms subsidiary, all underpinned by Hong Kong and China. "A possible flotation of Mercury is not in the price," said the analyst. C and W shares climbed 7 to 619p on good volume of 1.9m.

The maintained dividend at Glynwed International was welcomed by the market in spite of a 64 per cent profits setback. The shares moved ahead 14 to 239p.

Several stocks in the engineering sector were targeted for their recovery potential. Among those to benefit were APV, up 2 at 118p, IMI, 5 firmer at 254p, and FKI, where turnover reached 3.5m as the shares moved a penny forward to 61p. Also lifted by the same sentiment was Smiths Industries, which gained 13 to 299p.

Among transport stocks, P & O continued to benefit from a UBS Phillips & Drew buy recommendation, rising 13 to 412p.

Stocks likely to star in a consumer-led recovery were favourites in the leisure sector. Forte led a strong showing among hotel groups, moving up 3½ to 230½p in busy turnover of 3.5m. Ladbroke Group, buoyed by the Budget cut in betting tax, advanced 7½ to 246½p, while Rank Organisation jumped 24 to 718p in thin volume.

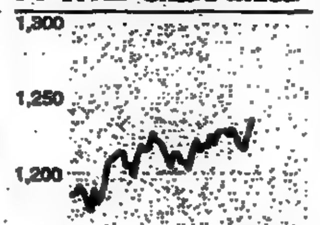
The absence of the much-rumoured rights issue from Hongkong and Shanghai Banking, which announced preliminary figures yesterday, triggered a minor flurry of selling in Midland Bank, which ended 4 off at 265p. There had been suggestions on Monday that any cash call by Hongkong Bank would be used to increase its 14.7 per cent stake in Midland.

Standard Chartered rose 4 to 463p in front of today's preliminary figures.

MARKET REPORTERS: Colin Millham, Joel Kibazo, Steve Thompson, Christopher Price.

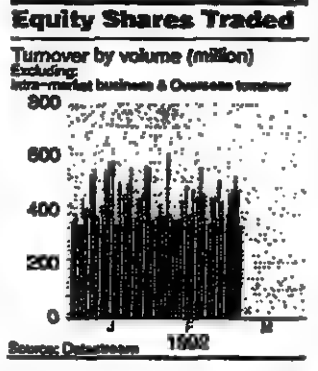
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.

FT–A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (76).
BANKS (1) Standard Chartered, BREWERS & DISTILLERS (4) Boddingtons, Guinness, Do. 8¼pc Cv. '95-01, Wolv. & Dudley, BUILDING MATERIALS (8) Erwin, Heywood Williams, Do. Cv. Prf., Rugby, Tilbury, Wolseley, BUSINESS SERVICES (6) Davis Service, Hogg Robinson, Inchcape, Johnson Cleaners, CHEMICALS (2) BOC, Halstead (J), CONTRACTING & CONSTRUCTION (4) BB & EA, Beltway, Maunders (J), Wilson Bowden, ELECTRICALS (2) Delta, Jones Stroud, ELECTRONICS (6) Diploma, Eurotherm, Farnell, Microvitec, Misys, ENGINEERING AEROSPACE (1) Smiths Inds., ENGINEERING GENERAL (6) Fairey, Protean, Senior Eng., Siebe, Weir, FOOD MANUFACTURING (2) Armour Tst., Salvesen (Ch), FOOD RETAILING (1) Sainsbury (J), HEALTH & HOUSEHOLD (1) Macarthy, HOTELS & LEISURE (3) Airtours, Euro Disney, Granada, INVESTMENT TRUSTS (12) Beta Global Emrg. Mkts., Fmng. Emrg. Mkts., Henderson Strata, Hong Kong, Kleinwort High Inc. Zero Prf., River & Merc. Sppd. Prf., Second Market, St. Davids Zero Prf., TR Tech. Zero Prf., Templeton Emrg. Mkts., Do. Wrnts., Do. 1pc Loan 2001, MEDIA (3) Grampian TV A, Pearson, Ulster TV, MERCHANT BANKS (1) Barings 9¾pc Prf., METAL & METAL FORMING (1) Billam (J), MISCELLANEOUS (2) Calderburn, Le Creuset, Shh. Business, MOTORS (2) Davenport Vernon, Lookers 8pc Cv. Prf., OIL & GAS (1) Sidlaw, OTHER FINANCIAL (1) Jardine Strategic, PACKAGING, PAPER & PRINTING (3) Bowater, Brit. Polythene Inds., CMS Packaging, PROPERTY (1) Bradford Prop., TEXTILES (6) Coats Viyella, Courtaulds Texts., Dawson Intl., Leeds, Palma, Sherwood Grp., TRANSPORT (1) NFC, MINES (2) Credsum, MIM.
NEW LOWS (34).
CANADIANS (2) Granges, Gulf Can., BUSINESS SERVICES (2) Assoc. Energy, REA, CONTRACTING & CONSTRUCTION (1) Kalima, ELECTRICALS (1) Fujitsu, ELECTRONICS (2) AB Elect., Reflex Inva., ENGINEERING GENERAL (2) Ransomes 8¼p Prf., Verson, FOOD MANUFACTURING (2) Finlay (J), Union Park, HOTELS & LEISURE (2) Allied Leis., Kunick 8¼pc Prf., INVESTMENT TRUSTS (3) City of Oxford, Drayton Blue Chip, Geared Inc., METAL & METAL FORMING (1) CI, MISCELLANEOUS (1) Pacer Systems, OIL & GAS (8) Aviva Petrm., Cairn Energy, Kelt Energy, Presidio A, Triton Europe, PROPERTY (4) Cap. & Counties 5¾pc Prf., Derwent Valley, Marlvale Moore, Slough Ests. 8¼pc Prf., STORES (1) Bentalls, TEXTILES (1) Gent (SR), TRANSPORT (1) All Nippon Airways, MINES (3) Bougainville, Budels, Leslie.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE higher-than-anticipated PSBR figure included in the chancellor's Budget speech caused a retreat in stock index futures after an advance earlier in the session, writes Joel Kibazo.

Having opened around the 2,577 level, the March contract on the FT-SE moved forward, taking a firm overnight on Wall Street as its cue.

However, nervousness about the Budget statement caused March to relinquish earlier gains and it retreated to 2,566.

The positive opening on Wall Street led to dealers moving to cover positions which triggered a squeeze, sending the March contract forward to reach 2,592, the high point of the session.

The contract retreated on the PSBR news following falls in the sterling and gilts markets.

March closed at 2,570, down 4 on the previous session and around its fair value premium to cash of around 4.

Further falls in the March contract were recorded in after-hours trading and dealers expect today's session to open lower.

In LTOM, volume improved to 22,232 lots, with the FT-SE accounting for 7,639 contracts of the day's total. Among stock options, Amstrad traded 2,525 lots, with the June 30 puts particularly busy.

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

APPOINTMENTS

Swapping foreign exchangers

Lehman Brothers International must have pulled out all the remuneration stops in pursuit of its "commitment to a global business strategy".

Its most recent catch for the London operation, after Dan Tyree who joins from Salomon, is 43-year-old Chris Deuters, head of European foreign exchange and derivatives at Citicorp. Appointed at managing director level, he comes in as head of global foreign exchange, a new position.

Deuters leaves a bank which, despite its other problems, is one of the major forces in global foreign exchange, something which investment bank Lehman, hitherto, is clearly not. "Money has a lot to do with the decision," reckons Ernst Brutsche who is in charge of Citicorp's European corporate business and Deuters' boss.

Deuters (which does not rhyme with Reuters) came to Citi as a teller in 1970 and, apart from a two year spell with Deutsche in London, has been there ever since.

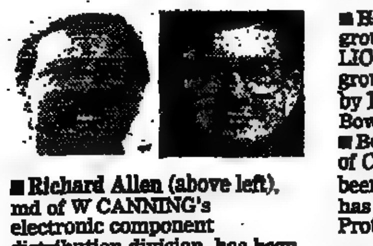
While acknowledging the predominance of commercial rather than investment banks in global fx, Lehman claims to be intent on achieving "a leadership position within foreign exchange worldwide".

Citi is replacing him with Julian Simmonds, who was previously head of the UK fx business, the bank's largest and most profitable fx operation worldwide. While he will assume control of money markets as well as European fx, Brutsche will oversee the derivatives business "for the time being". Simmonds is 40 and joined Citi two years after Deuters with a degree in Russian and maths.

■ Max Kaye is promoted to financial director of RACAL ELECTRONICS on the retirement at the age of 56 of John Coates, who is to pursue other interests. Also retiring are Danny Webb, a non-executive director, and Philip Crossland, director of corporate development. David Whittaker, company secretary and legal adviser, is appointed to the board.

■ Jim Barker, md of AMI UK's international division, is moving to become director hospitals at BUPA Health Services.

■ Tim Wilson, formerly sales manager of Vickers Inc's electronics division, is appointed president of DICTOGRAPH FRANCHISE CORPORATION, a subsidiary of Holmes Protection Group.



■ Richard Allen (above left), md of W CANNING's electronic component distribution division, has been appointed to the main board.

■ Andrew Leach (above right) has been confirmed as group finance director of EXCALIBUR Group.

■ Eric Balaam, commercial director – Spear's Games, has been appointed a director of JW SPEAR & SONS.

■ David McClelland has been promoted to marketing director of the European division of THERMOFIL POLYMERS.

■ Hedly Railton is appointed group operations director of LIONHEART; his place as group finance director is taken by David Kay, who moves from Bowater Scott Europe.

■ Bob Huddie, chief executive of Carbolite which has just been acquired by PROTEAN, has been appointed to Protean's board.

■ Steven Sharp has been promoted to md of AHREND HUMBER and Chris Hopkinson to sales director.

■ Mark Raines has been appointed operations director of SPECIALEYES.

■ James Mills-Webb, previously finance director of AMI Healthcare, has been appointed deputy chief executive and finance director of HOSPITAL CORPORATION INTERNATIONAL.

BA man to captain QEII

Marcus Buck, until recently British Airways manager for Japan and Korea, is to become chief executive of the Queen Elizabeth II Conference Centre in London from April 1.

The QEII Centre is a government-owned executive agency built to provide secure conference facilities for national and international government meetings. It hosted the 1990 conference of world leaders on the ozone layer and this year it will be the London base for the UK presidency of the EC.

The largest purpose-built conference centre in London, the QEII centre also markets its facilities to the private sector. It hosts more of the top 100 company agms than any other London venue and provides a London home for BBC-TV's Question Time. It has been voted best UK conference centre for the past five years.

For Buck, 53, it will be his first appointment outside BA and a return to the UK after many years of managing the airline's operations in south-east Asia, Australia and Latin America. He sees many similarities between managing airline operations and a conference centre: "Both involve elements of travel and accommodation away from home; both must be run as profit centres," he says.

And he plans to improve on its reputation and profitability still further.

LEGAL NOTICES

THE INSOLVENCY ACT 1986

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		34 13/16 xd	+1/16	38 11/16	20 7/8	14,858	1.9
♥Allegheny & W.		321p	—	395p	218p	168.8	5.9
Amdahl		1067p	+52	1159p	667p	1,184	0.5
Amer Cyanamid		38½	—	42⅛	25⅜	3,403	2.3
Amer Express		12⅝ xd	+1/32	17⅞	9 13/16	5,939	4.5
Amer T & T		21 13/16 xd	—	24½	15¼	88,664	3.4
Ameritech		34¾	+⅜	38⅞	32½	19,214	5.5
BankAmerica		25 3/16 xd	+1/16	28 3/16	12 3/16	3,503	2.9
Bankers NY		38¼ xd	−1/16	38 3/16	20 1/16	2,782	8.2
Bell Atlantic		24⅞	+⅛	30½	24¼	9,782	5.7
BellSouth		26⅝	+½	31¼	25	12,914	5.8
♥Bethlehem Steel		8 3/16 xd	+1/16	11¼	6 3/16	552.6	—
Bowater		1480pxd	−21	1839p	1042p	531.8	4.8
CPC		48⅛ xd	—	54 13/16	37 11/16	3,656	2.6
California Engy		720p	−17	938p	420p	131.1	—
Campbell Soup	h	21⅛	−⅛	23	14⅛	5,373	1.8
Chase Manhattan		13⅞ xd	+⅛	14 1/16	5 1/16	1,784	5.1
Chrysler		9⅜ xd	—	10⅛	5⅜	2,740	3.6
Citicorp		9½ xd	+¼	10⅜	4⅝	3,283	—
Colgate-Palm		25 13/16 xd	−1/16	27⅝	21 1/16	3,917	2.2
Cont'l Bank		892p	+14	978p	438p	981.4	3.6
Dana		20⅞ xd	−1/16	21⅝	13⅝	856.9	4.3
Data General		675p	+8	1252p	203p	186.3	—
Dial		29xd	−⅛	29⅛	12⅞	1,151	2.7
Dun & Brad		31¾	−¼	32⅝	20¾	6,866	3.8
Eaton		41½	−¼	41⅞	24¼	1,400	3.0
Echlin		9¾ xd	−1/16	9 13/16	5½	544.5	4.0
FPL		19⅜ xd	+⅛	20⅛	14 7/16	3,284	7.0
Fluor		24⅛ xd	−¼	30 3/16	17 1/16	1,956	0.9
Ford Motor		21¼ xd	+⅜	23¼	13	10,869	2.7
Gen Elect		44 13/16 xd	−1/16	46 13/16	28 3/16	38,942	2.6
♥General Host		493p	+5	586p	270p	—	4.1
Gillette		29⅛ xd	+1/16	46¼	20⅞	6,204	1.2
Hasbro		21⅝	+½	24	7 13/16	1,240	0.5
Honeywell		42 1/16 xd	+⅛	42 3/16	21¾	2,933	2.2
Houston Inds		23⅞	+⅛	24⅛	17⅞	3,077	7.0
IBM		50⅝ xd	+1/16	72 13/16	46	28,984	5.4
Ingersoll-Rand		35¼ xd	+⅛	37½	18 1/16	1,853	2.1
Lockheed		26⅛	−⅛	28⅛	16⅜	1,664	4.3
Lowe's		2266p	−60	2478p	1245p	821.6	1.4
Merrill Lynch		39xd	−⅛	39 13/16	10 1/16	3,367	1.7
Morgan (JP)		33 1/16 xd	−1/16	38¼	21 11/16	6,244	3.7
Morris (Philip)		44⅛ xd	+1/16	44⅝	26 1/16	40,851	2.7
NYNEX		42	+¼	46¾	39	8,619	6.1
♥Pac Acme		28p	—	89p	15p	—	—
Pall		18	+⅛	17 13/16	10 3/16	1,403	1.3
Pennzoil		28½ xd	—	46⅛	25⅜	1,071	6.4
Quaker Oats		37 1/16	−1/16	40 3/16	24⅞	2,834	2.6
Rockwell		16½ xd	+¼	17⅜	12⅛	3,637	3.4
Rep NY		23 1/16 xd	−1/16	27 1/16	16½	1,209	2.4
Sears, Roebuck		28 3/16 xd	−1/16	25⅝	12 11/16	9,853	4.3
Stnwestern Bell		34⅛	+⅛	35⅞	25⅝	10,231	4.7
Sun Co		18 13/16 xd	−¼	29¼	14⅛	1,690	6.5
Tenneco		22⅝ xd	−⅛	27⅛	14⅞	2,770	4.0
Texaco		32 1/16 xd	−1/16	40½	29 1/16	8,613	5.5
Time Warner		69¼ xd	+1/32	84½	37⅞	5,517	0.9
♥Unilab		587p	—	987p	250p	545.3	—
Utd Tech		29½ xd	−¼	31½	22⅛	3,888	3.4
♥Utilitech		181p	—	101p	42p	—	—
US West		20¼	+⅛	23	18¼	8,273	5.6
Vanity		747p	+7	1418p	978p	186.4	—
Waste Manage		24⅝ xd	—	30	16⅝	11,841	1.0
Whirlpool		2525pxd	+42	2700p	1053p	1,798	2.5
♥Woolworth		18½	−1/16	20 1/16	12¾	2,182	3.7

CANADIANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
♥Abbot Energy		2p	—	1½p	1¼p	—	—
Amer Barrick		1839p	−34	1849p	959p	2,897	0.3
Bk Montreal		21½	+⅛	23¼	13	2,863	5.3
Bk Nova Scot		1046p	—	1179p	536p	2,103	4.5
♥BC Gas		828p	—	879p	639p	—	3.9
BCE		22¾	−⅜	24½	17¼	7,042	6.8
♥Brascan		984p	−21	1060p	647p	748.8	6.2
♥Gralwater		22½p	−1½	[illegible]	6p	14.3	24.1

BUILDING MATERIALS - Cont.

	Notes	Price	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
■Redland	H	479	+18	568	416	1,623	7.0	13.7
Roskel		64	—	79	61	3.60	9.0	6.6
■Rugby		217	+4	217	135	630.5	4.0	16.0
Russell (A)		88	—	99	72	20.8	3.3	16.1
♦SWP		7½	—	22	7¼	1.66	10.7	6.2
♦Sandell	‡	30	—	82	23	0.75	‡	—
St Gobain FFr		£54¼	−½	£55⅛	£33 3/16	3,683	4.2	5.3
Sharpe & Fisher		91	—	98	70	18.8	5.9	—
♦Shaw (A)		57	—	62	46	4.99	9.6	20.2
Sheffield Insuls		78	—	161	76	18.9	9.2	7.4
■Spring Ram	†h	164	—	165	62½	585.6	0.2	30.2
■Stanmin	H	13½	—	22	12½	44.8	3.0	27.9
■Steetley		402	+15	424	252	629.2	4.0	20.8
■Tarmac		128	+3	283	95	932.1	11.7	14.4
♦Tilton		124	+3	124	40	13.4	3.5	13.3
■Travis Perkins		214	+2	251	175	217.5	5.0	27.5
♦Tudor	‡	31	—	33	22	1.77	‡	8.7
Ward Group	‡	68	—	208	69	17.8	‡	3.0
■Wickes		80	+1	88	37	215.9	—	—
■Wilshaw		11¼	—	12	4¾	8.84	3.6	18.4
■Wolseley		449	+3	449	290	1,862	3.8	20.2
Worcester	†	149	—	158	87½	48.1	3.6	20.2

BUSINESS SERVICES

	Notes	Price	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
■ADT $		528	+10	1210	280	823.8	19.2	3.7
AFP		27	—	365	26	25.0	—	—
♦ASB Group		8	—	25	6	1.96	—	—
♦ATA Select		13	—	21	11	2.07	10.3	—
♦ATP Comms		3½	—	7	3½	0.44	—	—
Adam & Harvey	W	235	—	240	188	[illegible]	5.7	4.0

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1991/92 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.	92½	—	119	92½	12.8	—	—
Cap	30	—	68	30	—	—	—
Stepped Pf †	132	+½	139½	113	—	27.0	-11.3
Zero Div Pf	171½	—	172½	141	5.8	—	—
Warrants	7	—	19	6½	—	—	—
Scot Value s	58½	—	56½	46¼	—	—	—
Sec Alliance †	1200	+5	1255	882	2.8	58.8	4.5
Second Market s	233	+4	233	198	2.8	1373.1	12.8
Sec Tst Scot †	69½	—	76	57½	0.6	277.0	18.1
Select Assets	99	—	102	71	6.9	73.9	8.0
Eq Ind Serl	[illegible]	+1	121	[illegible]	1.2	735.3	28.8
Eq Ind Serll	115	+1	121	89	5.8	—	—
Shires †	220xd	—	280	181	3.8	—	—
11pc Cv Ln '03/04	£188½	—	£128½	£97½	10.8	231.3	4.9
Siam Select	85	—	88	78	18.4	—	—
Warrants	18½	—	31	18	1.5	104.0	15.4
Smaller Cos	73	—	85	60	4.8	83.0	12.0
Warrants	13	—	23	8	—	—	—
Sphere Inc	16½	—	33	16½	20.4	24.0	31.1
Zero Div Pf	68¾	—	68¾	58¾	—	—	—
Warrants	0¾	—	8½	0¾	—	—	—
Stratton	198	—	190	120	1.8	181.3	17.3
Semit	43xd	—	119	38	3.9	108.0	60.2
TR City of Lon M	107½	+1	121¼	90	5.0	113.8	5.6
TR Euro Growth s	88	—	104	78	1.5	100.8	12.6
Ptg Sub s	51	—	59	40	2.8	—	—
TR Far East Inc	88	—	94	56	6.4	100.8	12.7
Warrants	14	—	23	12	—	—	—
TR High Inc	97xd	—	115	85	8.2	98.2	1.1
Sub	31	—	35	24	6.5	—	—
TR Pacific s	84xd	+1½	92	48	6.4	95.9	12.4
TR Prop	24½	—	37	23½	7.9	34.2	27.6
TR Smaller	131	—	165	98	2.8	150.7	13.1
TR Technology M	37	—	52	20	6.8	131.2	71.8
Stepped Pf	84¾	—	84¾	70½	7.8	—	—
Zero Pf	179	+½	174½	117½	—	—	—
Temple Bar	248	+4	278	210	7.0	287.8	13.5
6pc Cv Ln 2002	£113½	—	£115½	£102½	6.3	—	—
Templeton Em	284	+2	284	92	1.5	205.2	1.6
Warrants	89	+2	89	27	—	—	—
1pc Cv Ln 2001	£200½	+3	£200½	290½	0.8	—	—
Thornton Asian	61	—	72	55	1.1	76.7	10.3
Warrants	9	—	18	9	—	—	—
Thornton Pan Euro	38	—	31	28	4.1	31.2	10.3
Warrants	3	—	10	3	—	—	—
Throg Dual Inc	98xd	—	100	93	12.2	—	—
Cap	330	—	370	280	—	633.2	47.9
Throgmorton	48	+1	54	45	8.3	70.0	31.4
Warrants	14½	—	26	13	—	—	—
Throg USM	107xd	+1	118	81	4.8	128.0	16.2
Warrants	12	—	27	10	—	—	—
Tor Inc K	435	—	533	400	13.8	—	—
Cap	395	-5	735	395	0.8	1078.9	44.3
Tribune	241	+6	258	188	3.4	290.1	17.0
Trust of Prop	38	—	77	40	3.8	74.8	33.1
Turkey Trust s	148	-2	193	137	0.9	164.0	10.4
Warrants	44	—	58	34	—	—	—
USDC	180	+8	185	135	8.8	200.8	20.3
US Smaller Cos	108	—	107	98	—	108.9	0.8
Warrants	38	—	41	28	—	—	—
Value & Inc M	69½	—	74	59	6.4	79.2	13.3
Venturi	9	—	18	7	—	9.5	4.9
Inc †	36½	—	48	35	11.2	—	—
Cap Indexed	164	—	180	160	—	—	—
Welsh Indl	89	—	130	83	4.7	152.0	40.8
Whitbread Inv †	574	+8	577	478	3.2	697.2	18.0
Witan	159	+1	167	125	4.5	190.1	16.8
Warrants	88	—	88	61	—	—	—
Worth	19	—	30	15	1.7	38.9	48.3
Yeoman Inc	108	—	122	104½	16.8	—	—
Cap	142	—	188	113	—	161.7	12.2

Net asset values supplied by County NatWest Wood Mackenzie
■ a guide only.

MERCHANT BANKS - Cont.

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

METALS & METAL FORMING

TELEPHONE NETWORKS

TEXTILES

PROPERTY

MISCELLANEOUS

INVESTMENT COMPANIES

OTHER FINANCIAL

TRANSPORT

MEDIA

OTHER INDUSTRIAL MATERIALS

WATER

SOUTH AFRICANS

PLANTATIONS

MOTORS

STORES

MINES

PACKAGING, PAPER & PRINTING

MERCHANT BANKS

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
● "Tax Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
¶ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield, p/e based on earnings updated by latest interim statement
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
c Cents
f Flat yield
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue
i Rights issue pending
k Earnings based on preliminary figures
q Dividend yield excludes a special payment
t Indicated dividend yield, p/e ratio based on latest annual earnings
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Subject to local tax
x [illegible]
y a special payment
E Minimum tender price
F Yield based on prospectus or other official estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1991
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other official estimates for 1991-92
N Yield based on prospectus or other official estimates for 1992
P Figures based on prospectus or other official estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other official estimates
T Figures assumed
W Pro forma figures
Z Dividend yield to date

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

London Share Prices

Real time share prices are available by calling FT Cityline.

FT Cityline can also provide you with a confidential personal portfolio facility to give you a real time evaluation of your own personal investments.
For a free FT Cityline Share and Unit Trust Directory or to obtain your confidential Portfolio PIN call the FT Cityline Help desk on (071) 925 2128
Calls charged at 36p per minute cheap rate and 48p per minute at all other times.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

§§ Life Assurance and Unit Trust Regulatory Organisation, [illegible]

مكتبة ابن الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Standard Life Tst Mngmt Ltd (0629)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	5¼	36.65	36.65	38.95	+0.2	2.17
UK Equity Gth Acc	5¼	50.32	52.17	54.37	+0.4	1.89
UK Eq High Inc Inc	5¼	29.22	29.87	31.74	+0.3	5.99
UK Eq High Inc Acc	5¼	32.85	33.58	35.68	+0.4	5.99
UK Equity Gen Acc	5¼	46.48	47.20	50.16	+0.4	3.96
UK Equity Gen Inc	5¼	36.37	36.94	39.25	+0.3	3.36
UK Larger Co Acc F	7½	310.3	334.1	340.8	+2.9	4.61
UK Larger Cos Inc F	7½	249.8	252.9	274.4	+2.3	4.61
Gilt & Fxd Int Inc	5¼	28.21	28.28	29.91	+0.1	7.49
UK Larg Co Acc F	7½	210.8	214.4	232.7	-0.8	2.04
Nth American Acc	5¼	36.65	36.80	39.11	---	0.97
Far East Acc	5¼	38.81	39.80	42.29	-0.3	0.12
European Acc	5¼	35.70	37.08	39.40	+0.3	1.51

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	298.7	298.7	328.9	-0.1	0.70
(Accum Units) ♥	5	351.6	351.6	375.3	-0.2	0.70
British	5	799.6	817.5	864.9	+6.0	6.00
(Accum Units)	5	1340.9	1370.9	1450.4	+10.8	6.00
European	5	340.4	340.4	362.2	+0.7	1.39
(Accum Units)	5	369.0	369.0	392.6	+0.7	1.39
Japan	5	102.3	102.3	108.9	-1.7	—
(Accum Units)	5	103.1	103.1	109.8	-1.7	—
New Pacific	5	197.9	197.9	211.2	+0.7	1.42
(Accum Units)	5	203.2	203.2	216.9	+0.7	1.42
PEP Mar 4	5	149.4	150.9	159.6	---	3.52
Mngd Equity	5	127.2	128.5	136.0	+0.6	2.77
Mngd Equity Acc	5	135.0	136.3	144.3	+0.6	2.77
Mngd Cash	0	96.76	96.76	96.76	---	10.20
(Accum Units)	0	119.3	119.3	119.3	---	10.20
Majority Stlg	1	100.75	100.75	101.76	-0.01	9.92
Majority Stlg Acc	1	109.72	109.72	110.82	+0.02	9.92

Storebrand Intl Inv Mngrs Ltd (1200)F
Agnts: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries. 0277 227300 Dealing: 0277 261010

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Feb 28	0	51.36	51.36	51.75	---	3.17

Sun Alliance Unit Tst Mngmt Ltd (1200)F
St Mark's Court, Horsham 0403 232323

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	53.79	54.97	+0.13	3.78

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1172.0	1263.0	---	-
Mngd Pens (Acc)	68.0	72.5	---	-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sept 5	£2440.0	2600.0	---	7.00
Ipc Gth Prp Jul 31	£1375.0	1460.0	---	8.90

Lazard Investors Ltd ‡‡
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Mar 4	£3961.9	4131.5	---	3.84
European Mar 4	£589.6	596.3	---	1.47
American Mar 4	£380.0	383.6	---	2.12
Japan Mar 4	£450.9	496.5	---	1.43
Pacific Mar 4	£148.7	153.3	---	1.14
W Midlands Jan 31	£132.80	147.00	---	2.48

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Feb 29	196.75	200.75	---	7.98
Equity Feb 29	898.25	912.80	---	3.76

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond Mar 9		103.58	+0.4	10.42
(Accum Units)		427.27	+2.4	10.42
NAACIF Mar 3		40.50	---	9.54

Morgan Grenfell Investment Funds Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Mar 10	128.5	138.5	+0.6	1.96
UK Small Co † Mar 10	523.6	573.3	+1.4	3.49
Fixed Interest † Mar 10	111.5	117.3	-0.2	8.54
US Small Co Mar 10	180.6	193.3	-2.7	0.08
Managed Mar 10	109.0	116.9	-0.2	3.40
Intl Bond Mar 10	121.9	128.4	---	9.97
Japan Mar 10	64.73	69.01	-2.2	4.26
European Mar 10	92.78	99.32	-0.5	1.71
Nth American Mar 10	123.2	132.5	-2.7	1.20

Murray Johnstone UT Mngmt

INSURANCES

Citibank Life
Perrymount Road, Haywards Heath 0444 414111

Equitable Life Assurance Society
Walton St, Aylesbury Bucks HP21 7QW 0296 393100

Henderson Administration(z)
3 Finsbury Ave, London, EC2 M2PA 071-638 5757

Lifetime Assurance Co Ltd
Bank Hse St John's Rd, Harrow HA1 2EE 081-861 5999

NEL Britannia Assce Co Ltd
Milton Court, Dorking, Surrey 0306 880072

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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Norwich Union Life Insurance Soc.–Contd.

Provident Mutual Life Assc. Assn.–Contd.

Scottish Amicable

Sun Alliance Group

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Providence Capitol International Ltd – Contd.

Royal Life Intl. Ltd

J. D. Ward Financial Services Ltd

Rothschild Asset Management – Contd.

Royal Bank of Canada Funds

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

حكمة من الأصول

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or −	Yield Gross
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625549				
High Income 5	0.4890	0.4890	0.5148	10.25
CMI Core Portfolio Fund				
UK 5	1.0237	1.0977		–
USA 5	1.0823	1.1466		–
Japan 5	0.5636	0.5949		–
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd 5	94.90	94.90	99.88 +0.08	10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth 5½	498.6	498.6	532.4 +1.2	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
L.J. International 5¼	95.44	95.44	102.04	–
Mercury Fund Managers IoM Ltd				
11, Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund 5	105.3	105.3	112.4 +0.7	7.4
Merc Intl Bond 5	54.20	54.20	56.96	8.7
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
Secure High Income 6	1.0264	1.0264	1.1023	10.16
Unibank Scandinavian Fund Ltd				
23 Bucks Road, Douglas, IoM 06246 26484				
Scandinavia Fd 5	–	141.17	150.52 +1.88	1.6

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling retreats after Budget

STERLING lost most of its earlier gains when the UK Budget met mixed reactions in the market, and failed to deliver the hoped-for boost, *writes Neil Buckley.*

The UK currency was the centre of attention for much of the day, although the dollar climbed a little in late European trading on speculative buying in a thin market.

Mr Mark Austin, economist at HongKong Bank, said sterling fell back on market worries about chancellor Mr Norman Lamont's prediction of a £28bn public sector borrowing requirement, and disappointment that he had made no firm commitment to moving the UK currency into the narrow 2.25 per cent band of the Exchange Rate Mechanism. Mr Lamont said only that the move would be made "in due course".

Rumours that a firm commitment would be made had taken sterling higher against the D-Mark after a dull morning, reaching DM2.8725/50 shortly before Mr Lamont's speech began. Afterwards, however, it dropped around half a pfennig to DM2.8673/08, although this was still above its starting level of DM2.8654/89. Against the top-placed peseta, it was once again at its ERM floor.

Mr Austin added: "The opinion polls in a few days will be the deciding factor for sterling, but I do not think its fortunes will be much changed by this Budget. There was a lot of fiddling around at the edges but nothing headline-grabbing."

The dollar, meanwhile, reached DM1.6705/15 from a DM1.6620 start, and gained strongly on the yen to Y132.80/90 from Y132.30/40. In New York the US unit finished at DM1.6710 and Y132.90.

Dealers said a major south-east Asian player and some New York funds had been buying dollars.

The yen continued to be undermined by speculation that the Bank of Japan would soon cut interest rates, possibly shortly after Mr Yasushi Mieno, bank governor, returns from a visit to Europe today.

The US currency had crept higher against both the yen and the D-Mark in thin Asian trading, hovering close to its Y132.20 resistance level.

Dealers said trading interest was limited ahead of the "Super Tuesday" US presidential primaries, although an expected victory by Mr George Bush over challenger Mr Pat Buchanan would have little effect unless his share of the vote was lower than 60 to 70 per cent.

In Europe, the D-Mark was little changed against most EMS currencies, but rose against the yen to Y79.43 from Monday's Y79.34.

It was a touch firmer against the Belgian franc a day after Belgium announced it was considering letting short-term interest rates drop below equivalent German rates.

The D-Mark declined slightly against the Swiss franc, although dealers said the Swiss National Bank's intervention last Friday seemed to have ended the franc's slide for the moment.

£ IN NEW YORK

Mar 10	Close	Previous Close
£ Spot	1.7170-1.7180	1.7250-1.7260
1 month	0.93-0.92pm	0.97-0.95pm
3 months	2.59-2.57pm	2.57-2.54pm
12 months	8.40-8.30pm	8.33-8.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Mar 10	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1313.40 - 1334.60	763.60 - 772.80
Kuwait	0.50800 - 0.50750	0.29390 - 0.29460
Luxembourg	58.85 - 58.95	34.30 - 34.40
Malaysia	4.4090 - 4.4170	2.5880 - 2.5900
Mexico	5203.45 - 5215.10	3060.50 - 3061.50
N Zealand	3.1385 - 3.1430	1.8215 - 1.8240
Saudi Ar	6.4230 - 6.5000	3.7495 - 3.7505
Singapore	2.8705 - 2.8775	1.6625 - 1.6645
S Af (Cm)	4.9450 - 4.9565	2.8730 - 2.8745
S Af (Fn)	6.4055 - 6.5265	3.7175 - 3.7880
Taiwan	43.10 - 43.25	25.00 - 25.10
U.A.E.	[illegible] - 6.3660	3.6715 - 3.6735

*Floating rate. Iran Official rate £114.75 $67.20

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.895	-3.54	5.93	61
Belgian Franc	42.4032	42.0594	-0.81	3.01	18
Dutch Guilder	2.31643	2.30074	-0.68	2.87	32
D-Mark	2.05586	2.04500	-0.53	2.72	32
Italian Lira	1538.24	1532.82	-0.35	2.54	16
Irish Punt	0.767417	[illegible]	-0.19	2.37	7
French Franc	6.89509	6.94624	0.74	1.42	-40
Danish Krone	7.91195	7.93276	1.16	1.00	-54
Sterling	0.696904	0.712056	2.17	0.00	-43

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Mar 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7145 - 1.7285	1.7150 - 1.7160	0.93-0.91cpm	6.44	2.56-2.52pm	5.92
Canada	2.0485 - 2.0625	2.0520 - 2.0530	0.57-0.50cpm	3.13	1.44-1.31pm	2.68
Netherlands	3.2200 - 3.2335	[illegible]	[illegible]	0.70	[illegible]	0.62
Belgium	58.85 - 59.10	58.85 - 58.95	5-2cpm	0.71	13-8pm	0.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Mar.10	£	$	DM	YEN	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.716	2.868	227.8	9.740	2.603	3.225	2149.	2.053	58.90	1.402
$	0.583	1	1.671	132.8	5.676	1.517	1.879	1252	1.196	34.32	0.817
DM	0.349	0.598	1	79.43	3.396	0.908	1.124	749.5	0.716	20.54	0.489
YEN	4.390	7.533	12.59	1000	42.76	11.43	14.16	9434	9.012	258.6	6.155
F Fr.	1.027	1.762	2.945	233.9	10.	2.672	3.311	2206	2.108	60.47	1.439
S Fr.	0.384	0.659	1.102	87.51	3.742	1	1.239	825.6	0.789	22.63	0.539
N Fl.	0.310	0.532	0.889	70.64	3.020	0.807	1	666.4	0.637	18.26	0.435
Lira	0.465	0.799	1.335	106.0	4.532	1.211	1.501	1000.	0.955	27.41	0.652
C$	0.487	0.836	1.397	111.0	4.744	1.268	1.571	1047	1	28.69	0.683
B Fr.	1.698	2.913	4.869	386.8	16.54	4.419	5.475	3649	3.486	100.	2.380
Ecu	0.713	1.224	2.046	162.5	6.947	1.857	2.300	1533	1.464	42.01	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Mar	91.77	91.85	91.72	91.76
Jun	92.35	92.42	92.28	92.32
Sep	92.73	92.78	92.69	92.70
Dec	92.96	93.00	92.98	92.93

Estimated volume 7582 (8507)
Previous day's open int. 36865 (37065)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Mar	2581.0	2592.0	2566.0	2570.0
Jun	2620.0	2630.0	2607.0	2610.0
Sep	2654.0			2644.0

Estimated volume 13958 (8020)
Previous day's open int. 39372 (39845)

FT-SE EUROTRACK 100 INDEX
DM160 per full index point

	Close	High	Low	Prev.
Mar	1160.0			1157.5
Jun				

Estimated volume 0 (0)
Previous day's open int. 137 (137)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7155	1.7063	1.6901	1.6684	1.6325

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rate hopes dashed

RATES EASED slightly during the day on the UK money markets but firmed at the close as lingering hopes of a Budget day base rate cut were dashed.

Those hopes had been encouraged by a strengthening of sterling early in the afternoon amid rumours that Mr Norman Lamont, the UK chancellor, would make a commitment to taking the pound into the narrow ERM band.

This was reflected in a softening of money market rates – generally by $\frac{1}{32}$ or $\frac{1}{16}$ per cent – across the spectrum, until a rather mixed reaction from the markets caused sterling to lose its earlier gains, making the possibility of a rate cut even more remote.

The key three months interbank rate began at $10\frac{7}{16}$-$10\frac{5}{16}$ per cent and then slipped as far as $10\frac{3}{8}$-$10\frac{1}{4}$ per cent. It firmed to $10\frac{1}{2}$-$10\frac{3}{8}$ per cent after the Budget.

The 12 months rate declined to $10\frac{1}{4}$-$10\frac{1}{8}$ per cent, from $10\frac{5}{16}$-$10\frac{3}{16}$ per cent, but later bounced back to $10\frac{3}{8}$-$10\frac{1}{4}$ per cent.

The Liffe March sterling contract went as high as 89.70 from 89.64, before heading down to 89.55, while the June contract followed a similar pattern, to end at 89.75.

Otherwise, there were few problems with liquidity, and the overnight rate, which stood at around 10 per cent early in the day on expectations of a fairly moderate shortage, fell quickly to 8-7½ per cent after midday, when the Bank of England moved to cover all of its revised shortfall by purchasing £400m of band 1 bank bills at $10\frac{3}{8}$ per cent.

The Bank had initially forecast a shortage of around £350m, the main factors draining liquidity from the system being treasury bills and maturing assistance of £348m, and exchequer transactions of £150m. These were partly compensated for by a fall in note circulation and above-target bankers' balances.

German call money rates remained unchanged at around 9.60/65 per cent. Dealers said the market was quiet, but call money rates were seen remaining high as banks geared up for a heavy outflow of funds through tax payments later this week.

The market was looking ahead to today's securities repurchase transaction, hoping the Bundesbank would add between DM2bn and DM4bn. They predicted that otherwise tight liquidity could mean call money rates reaching the Lombard level of 9.75 per cent.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar 10) 3 months US dollars		6 months US Dollars	
bid [illegible]	offer [illegible]	bid 4½	offer 4⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

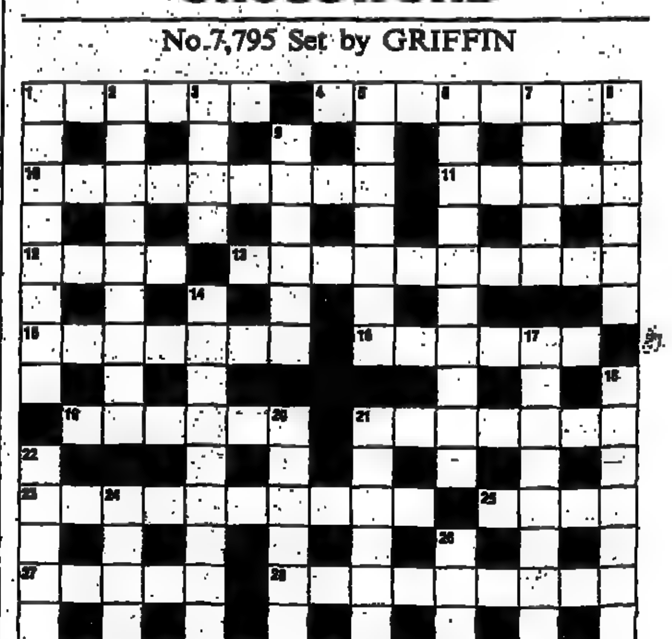
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,795 Set by GRIFFIN



ACROSS

1 Note where bees congregate on herbs (6)
4 Lifting article I've rejected inside (8)
10 Wrongly address credits I'm distributing (9)
11 Fellow against imprisoning the Spanish criminal (5)
12 Count student allowed back (4)
13 Leading technicians teach more about rev counter (10)
15 For what manager did with fire search thoroughly (7)
16 Sunburnt man embraces girl (6)
19 Is always coming back about change (6)
21 Quickly stolen pay (7)
23 Equivalent of six-footer taking volunteers round hill (10)
25 Crazy Turkish commander's after dog-end (4)
27 Artist with bib upset Jewish doctor (5)
28 Greetings card loaned, in vain, to sweetheart (9)
29 When still fastened up, say (8)
30 Salad plant having eel wriggling inside, shout! (6)

DOWN

1 Where people lie when they're stiff? (8)
2 Point to fish in nice new sauce (9)
3 Issue raises period in gaol (4)
5 Axe man at church in the East End (7)
6 Fan met fee I arranged for camp (10)
7 Opening line rewritten by leading tragedian (5)
8 Go after information for the aristocracy (6)
9 Are not a brand of note (6)
14 First-rate, it's free for a rich man (10)
17 Tending to provoke civet Eva dances round hole (9)
18 Plan to obtain retirement and wander round (8)
20 Went round topless, it's disclosed (7)
21 Help with the continental stock (6)
22 Go without food until late? (6)
24 Aristocrat, about 50, has broken bone (5)
26 Whenever a person takes note (4)

Solution to Puzzle No.7,794

WORLD STOCK MARKETS

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / FRANCE / GERMANY / NETHERLANDS / SWEDEN / SWITZERLAND / NORWAY / ITALY / SPAIN / SOUTH AFRICA / JAPAN / HONG KONG / AUSTRALIA / MALAYSIA / SINGAPORE

[illegible]

CANADA

TORONTO

4:00 pm prices March 10

[illegible]

MONTREAL

4:00 pm prices March 10

[illegible]

INDICES

NEW YORK

DOW JONES	Mar 10	Mar 9	Mar 6	Mar 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3230.99	3215.12	3221.60	3241.50	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	99.06	99.02	98.95	99.05	99.61 (6/2)	98.56 (24/2)	99.82 (6/2/92)	54.99 (1/10/81)
Transport	1408.07	1404.90	1413.12	1437.97	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	205.12	204.43	202.56	203.37	225.59 (3/1)	202.55 (6/3)	236.23 (2/1/90)	10.50 (8/4/32)

Day's High 3259.17 (3242.62) Low 3207.29 (3188.95)

STANDARD AND POOR'S

	Mar 10	Mar 9	Mar 6	Mar 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	406.89	405.21	404.44	406.51	420.77 (15/1)	404.44 (6/3)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	483.94	481.82	481.54	484.10	499.27 (15/1)	481.54 (6/3)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.23	33.96	33.87	34.06	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	225.02	224.15	223.79	224.92	231.85 (15/1)	223.79 (6/3)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	408.54	407.21	407.95	410.24	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	623.46	615.82	615.95	621.97	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Mar 6	Feb 28	Feb 21	year ago (approx.)
Dow Industrial Div. Yield	2.84	2.79	2.78	3.40
	Mar 4	**Feb 26**	**Feb 19**	**year ago (approx.)**
S & P Industrial div. yield	2.61	2.57	2.60	2.19
S & P Indl. P/E ratio	28.61	29.03	25.03	17.77

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
RJR Nabisco	3,662,300	10	+ ¼
Glaxo	2,514,400	27⅝	+ ⅜
Am T & T	2,316,900	38½	+ ⅝
Philip Morris	2,225,000	76⅞	+ ⅞
Foxmeyer	1,981,500	14⅛	+ 1
Am Express	1,971,500	21⅞	- ⅛
Citicorp	1,904,400	16⅛	+ ⅛
Homans	1,417,000	24½	- ⅛
Nat. Med Ent.	1,401,100	15¼	+ ⅛
Telefonos	1,392,800	55½	- ⅜

TRADING ACTIVITY

† Volume (Millions)	Mar 10	Mar 9	Mar 6
New York SE	194.530	160.620	185.040
Amex	15.674	12.347	12.620
NASDAQ	(a)	162.110	193.071
NYSE			
Issues Traded	2,222	2,216	2,219
Rises	1,069	874	610
Falls	625	839	1,087
Unchanged	528	503	522
New Highs	45	32	31
New Lows	17	25	31

CANADA

TORONTO	Mar 10	Mar 9	Mar 6	Mar 5	1992 HIGH	1992 LOW
Metals & Minerals	3079.29	3064.28	3070.09	3093.68	3238.87 (16/1)	2936.22 (2/1)
Composite	3529.93	3518.57	3530.84	3545.55	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1851.51	1842.59	1846.08	1855.97	1937.59 (16/1)	1842.59 (9/3)

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

AUSTRALIA / AUSTRIA / BELGIUM / DENMARK / FINLAND / FRANCE / GERMANY / HONG KONG / IRELAND / ITALY / JAPAN / MALAYSIA / NETHERLANDS / NORWAY / PHILIPPINES / SINGAPORE / SOUTH AFRICA / SOUTH KOREA** / SPAIN / SWEDEN / SWITZERLAND / TAIWAN** / THAILAND / WORLD

[illegible]

WORLD						
M.S. Capital Intl (1/1/70) (5)	500.3*	499.2	500.4	502.0	542.10 (7/1)	499.50 (9/3)
Euro Top-100 (26/6/90)	940.36	935.76	932.79	937.56	943.20 (3/3)	870.31 (2/1)

**Saturday March 7: Taiwan Weighted Price: 4986.53 Korea Comp Ex. 624.49
a Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed (a) Unavailable.

TOKYO - Most Active Stocks

Tuesday March 10 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Chuo Trust (?)	8.1m	1,330	+90	Fujisawa Pharm.	3.2m	1,360	-
Chiba Bank	6.0m	885	-15	Sanyo-Kokusaku	3.2m	583	+26
Sagami Rail	5.0m	595	-10	Shizuoka Bank	3.1m	1,270	+20
Mochida Pharm	4.3m	4,820	+500	Hitachi	2.5m	780	-15
Nippon Steel	3.2m	310	-11	Nikko Securities	2.2m	684	-3

4:00 pm prices March 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.2	16	97	15⅛	14⅞	15	
26	20⅝	A L Labs A	0.16	0.7	24	1050	22	21⅞	22	
68¾	58⅛	AMP Inc	1.52	2.5	24	1168	61⅞	60¼	60½	-⅛
80⅛	68¾	AMR			263	140	76¾	75¾	76⅛	+1
2⅜	1⅛	ARX			2	63	2	1⅞	2	
53½	45½	ASA	2.75	6.0	13	371	46⅝	d45½	46	+½
66⅞	59¾	Abbott Lab	0.60	1.0	23	7292	60½	d59⅝	59⅞	-⅝
13½	12⅛	Abitibi Pr	0.43	3.3	27	82	13	13	13	
11⅝	10½	ACM Gvt In x	0.96	9.1		384	10⅝	d10½	10½	-⅛
10⅜	9⅛	ACM GrOpp x	0.80	8.4		286	9½	9⅜	9½	+⅛
9½	8⅝	ACM Gm Sp x	0.80	9.1		111	8⅞	8¾	8¾	-⅛
11¼	10⅛	ACM Gvt Se	0.96	9.1		464	10½	10⅜	10½	
9⅜	8⅝	ACM Man x	0.95	10.7		270	9	8⅞	8⅞	
12⅞	10⅞	ACM Managd x	1.08	9.5		290	11⅜	11¼	11⅜	+⅛
10⅛	7	Acme Cleve	0.40	4.1	18	47	9⅞	9⅝	9¾	+⅛
5½	4½	Acme Elect			4	341	u6⅛	5½	6⅛	+¾
33¼	19⅞	Acuson			13	6208	21½	d19½	21⅜	+1½
18⅞	18½	Adams Expr	0.48	2.5	9	65	19	18⅞	18⅞	
15½	13	Adobe12Pf	2.40	17.0		96	14⅜	14¼	14⅛	-⅛
5⅜	4½	Adobe Res			21	845	5⅛	5	5	
48⅞	40½	Ad Micro	3.00	6.8		546	43⅞	43¼	43⅞	+½
21½	16½	Ad Micro P	3.00	16.4	117	369	18⅝	18¼	18¼	+¼
9⅛	5	Advest Grp	0.16	2.2	30	256	7⅜	7⅛	7⅛	-⅛
71¾	67⅞	Aegon ADR			6	62	67¾	67¼	67¼	
47	39	Aetna Lf	2.76	6.2	9	1413	46	43⅞	44⅛	+1½
12	8⅛	Affil A	0.24	2.2	75	250	10⅞	10½	10⅝	+¼
32⅞	28	Allac	0.40	1.4	18	1916	29⅜	28⅝	29¼	+⅝
19⅞	15⅞	Ahmanson	0.88	5.1	8	2665	17⅝	17⅜	17⅜	
22½	15	Aileen Inc			15	172	18	17⅞	17¾	+⅜
43⅝	36½	Air Pr Chm	0.40	0.9	18	2243	43⅜	d42¼	42⅝	-¼
29⅜	23⅜	Airbne Frt	0.30	1.1	19	483	27⅜	27⅛	27¼	-⅛
26	22⅝	Airgas Inc			27	133	24	23⅞	24	+⅝
12½	8½	Airlease	1.64	13.7	7	23	12⅛	12	12	-⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. dd-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices March 10

NASDAQ NATIONAL MARKET

4:00 pm prices March 10

AMERICA

Dow rises cautiously before economic data

Wall Street

US EQUITIES followed overseas markets higher yesterday, but investors remained somewhat hesitant ahead of the US economic data slated for release later this week, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average ended 15.87 up at 3,230.99, while advances outscored declines by 1,039 to 656 after moderate turnover of 195m shares. The more representative Standard & Poor's 500 gained 1.67 to 406.88.

The equity rally came in spite of a dull treasury market, where the benchmark 30-year bond fell $\frac{1}{32}$ to 101$\frac{1}{16}$, yielding 7.89 per cent.

The transportation sector was particularly strong in the morning, with the Dow Jones Transportation Average climbing 11.02 to 1,415.92 by 1pm before receding to close only 3.17 ahead at 1,408.07. Delta Air Lines lost $¾ at $68¼. AMR, parent of American Airlines, climbed $1 to $76¾ and CSX, the big US railroad company, shed $¼ to $56⅛.

RJR Nabisco led trading for a second day on the NYSE, adding $¼ at $10 after analysts reiterated "buy" recommendations on the issue. The improvement came in spite of concern voiced by the American Medical Association and the US Surgeon General over the company's Camel cigarette advertising. Nabisco's critics believe that a cartoon character used in the ads is more appealing to children than to adults.

Among other blue chips, AT&T appreciated $⅝ to $38⅛ following an upgraded rating from Brown Brothers Harriman.

Growth stocks such as Coca-Cola and Philip Morris gained momentum, rising $1 to $81¼ and $1 to $77 respectively.

Paramount Communications eased $⅛ to $47⅞ after the Hollywood studio turned in first-quarter net income of 16 cents a share, compared with a loss of 6 cents a year earlier.

Travelers, one of the largest US composite insurers, firmed $⅛ to $20 after stating that it had added $300m to its capital base through newly issued senior notes placed privately by Merrill Lynch. The group, which has been hit by real estate investment problems, said the proceeds will be added to the capital base of its principal life insurance subsidiary.

In the secondary market, the Nasdaq composite index registered a rise of 7.65 to 623.47.

Strong fourth-quarter profits growth from Dell Computer, the fast growing US personal computer manufacturer, helped the stock climb $2¼ to $39¼. The company turned in net income of 62 cents a share in the latest quarter compared with 42 cents a year earlier. Dell also declared a three-for-two stock split.

High-tech stocks continued to lead trading in the secondary market. Lotus Development rose $2¾ to $36⅛.

Canada

TORONTO blue chips followed the upturn in New York, but the broad market remained weak. A decline in the Canadian dollar raised short-term interest rates and made the market nervous.

The composite index gained 11.4 at 3,529.9, but declining issues were ahead of advances by 310 to 257. Volume came to 26.3m shares.

International Corona ended at C$3.65, off 10 cents. The company announced several financing plans, including swapping preferred "B" shares for convertible debentures; a C$50m common share offering; a new US$50m gold loan; and the possible sale of some non-core US gold assets.

Latin American fortunes shift to Chile

William Cochrane reviews last month's performance of the world's emerging markets

Shifting fortunes in Latin America, a further slide in Turkey and equity fever in India were key features in the world's emerging markets in February. Currency movements were a parallel consideration.

In Latin America, Chile seems to have come back to life, with a local currency gain of 15.1 per cent, rising to 17.3 per cent in dollar terms. Santiago was put in the shade by some of its Latin American counterparts last year, but it still registered a gain of 90 per cent in dollar terms against the region's 125 per cent average advance.

After a rise of 124 per cent in dollar terms to its peak on October 6, Chile fell away on profit-taking, and then in January, says Mr Michael Raynal of BZW, institutional investors sat on their hands, and their profits. A revaluation of the peso in January encouraged them to return to equities.

In February, institutional investors, mainly pension funds, came back in force: daily turnover in Santiago rose from between US$5m and $6m at the beginning of the month to between $9m and $13m at the end. The combination of a strong currency and a booming domestic economy has given it attractions which are unusual in global, as well as South American, terms.

Brazil's climb was stalled by the drop in the cruzeiro, according to indices published by the International Finance Corporation (IFC), part of the World Bank. In contrast, Chile's local currency advance appreciated in dollar terms.

After gains in dollar terms of 44.9 per cent in December and 37.6 per cent in January, Brazil's equity market declined by 0.5 per cent last month, says the IFC, although it registered a 23 per cent rise in local currency terms.

Turkey turned in the worst performance among emerging markets last year, say Kleiman International Consultants of New York. After a slight rise in January it was on its way down again last month, falling 30 per cent in dollar terms.

Investors, says Kleiman, are waiting for long-promised structural reforms: ". . . settlement problems and insider trading are still rampant, and non-bank brokerages are not subject to capital adequacy requirements and sufficient disclosure. Analysts estimate that the top 10 houses account for 70 per cent of trading activity, raising concern over potential disaster should the market decline dramatically, putting broker solvency to the test."

A review of the Indian stock market will appear on this page later this week.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Dollar terms: Feb 29 1992	Dollar terms: % Change over month	Dollar terms: % Change on Dec '91	Local currency terms: Feb 29 1992	Local currency terms: % Change over month	Local currency terms: % Change on Dec '91
Latin America			-3.7	-0.5	70,162,479	-3.7	-1.3
Argentina	(29)	1,277.49	-3.7	-0.5	71,677,644	+23.0	+104.8
Brazil	(69)	143.64	-0.5	+36.9	4,903.97	+15.1	+9.8
Chile	(35)	1,828.26	+17.3	+18.6	5,818.01	-16.6	+12.6
Colombia	(20)	833.66	-17.6	+9.8	28,762.09	+14.9	+24.2
Mexico	(66)	1,816.56	+15.2	+25.3	6,175.62	-3.1	+12.7
Venezuela	(17)	731.27	-5.2	+8.2			
East Asia							
South Korea	(91)	251.09	-12.6	-8.7	241.08	-12.4	-8.1
Philippines	(30)	1,567.56	-2.3	+9.1	2,016.57	-3.2	+6.0
Taiwan, China	(70)	701.13	-6.2	+11.3	440.44	-6.0	+8.2
South Asia							
India	(62)	414.11	+24.8	+50.4	671.23	+25.9	+52.7
Indonesia*	(63)	62.65	-1.1	+12.7	70.30	-0.6	+14.2
Malaysia	(62)	163.43	+7.6	+13.8	174.34	+5.9	+8.2
Pakistan	(58)	248.26	-10.2	-22.2	396.15	-10.3	-22.5
Thailand	(61)	353.38	+2.1	+11.4	332.20	+2.8	+13.5
Euro/Mid East							
Greece	(32)	440.84	-3.6	+6.5	650.10	-1.9	+15.1
Jordan	(27)	98.47	+1.3	+2.4	174.57	+0.1	+1.7
Portugal†	(30)	390.60	-2.5	-9.1	353.45	-0.3	-4.3
Turkey‡	(25)	61.69	-30.1	-27.4	471.47	-24.9	-16.4

Source: International Finance Corporation. Base date: Dec 1984=100. *Dec 1989=100. †Jan 1986=100. ‡Dec 1986=100.

ASIA PACIFIC

Arbitrage-related buying gives Nikkei late boost

Tokyo

ARBITRAGE-related buying helped to push the Nikkei average into positive territory late yesterday, after drifting lower earlier due to a lack of fresh news, *writes Emiko Terazono in Tokyo.*

The 225-issue index finished 56.91 ahead at the day's best of 20,854.59 after moving to the day's low of 20,627.02 in the morning session. Volume increased slightly to 200m shares from 180m on arbitrage-related trading.

In spite of the rise in the Nikkei, other statistics reflected the overall weakness of the market as declines led advances by 618 to 287 at the close, with 203 issues unchanged. The Topix index of all first section stocks slipped 7.64 to 1,494.79, falling below the 1,500 support level for the first time since November 1986. In London trading, the ISE/Nikkei 50 index eased 3.42 to 1,136.58.

Fears that arbitrageurs will unwind cash positions held against the March Nikkei index futures, which expire tomorrow, have been alleviated by a steady roll-over into the June contract. Traders said the weakness in the Topix index stemmed from worries that investors were not rolling over positions on the Topix futures.

In addition, light selling by investment trusts and corporations depressed prices of large-capital issues and blue chips. A total of 224 stocks hit new lows since January last year.

Traders said some investors are worried that a discount rate cut may not materialise this month. Bank of Japan governor Mr Yasushi Mieno returns from Europe today. Miss Caroline Stone at Barclays de Zoete Wedd said: "Many people feel that a half-point cut has already been discounted by share prices, and they now expect a 75 basis points cut to help boost activity."

Drug-related stocks were actively traded by short-term investors. Okamoto, the day's most active issue, rose Y90 to Y1,330 and Mochida Pharmaceutical surged Y500 to Y4,430.

High-technology issues continued to lose ground on selling by corporations. Hitachi receded Y15 to Y760 and Sony Y50 to Y3,900.

Power suppliers, sensitive to interest rate movements, were sold on the weakness of the yen against the dollar, with Tokyo Electric Power falling Y40 to Y2,880. Nippon Telegraph and Telephone weakened Y4,000 to a new all-time low of Y674,000.

In Osaka, the OSE average lost 70.58 to 22,248.60 in turnover of 147m shares. Heavy cross-trading ahead of the March year-end book closing lifted volume. Tokkin, or specified money trusts, and companies were seen liquidating holdings.

Roundup

THE PACIFIC Rim was mostly higher yesterday. Seoul was closed for a holiday.

HONG KONG rose sharply in light trading as bargain hunters returned to the market after Monday's sell-off. The Hang Seng index gained 70.32 at 4,918.95 but turnover dipped to HK$1.69bn from HK$1.85bn.

HSBC Holdings recovered HK$1.25 to HK$42.50 as rumours of a rights issue faded. It published 1991 results after the close.

Banks turned in the day's steepest gains, followed by property counters.

NEW ZEALAND rebounded after five days of declines. Carter Holt Harvey picked up 4 cents to NZ$2.26, after Monday's 18-cent fall on news of a big rights issue. The NZSE-40 index rose 15.35 to 1,461.24.

AUSTRALIA gained ground in lacklustre trading, as selected buying of certain stocks helped to push up the market. A firmer futures market also gave support. The All Ordinaries index put on 7.2 to 1,605.4 in turnover of A$148.6m.

Among leading stocks, News Corp jumped 26 cents to A$17.70, BHP added 18 cents at A$13.44 and CRA rose 8 cents to A$13.92.

TAIWAN was little changed in thin trading as investors stayed on the sidelines due to a dispute within the ruling Kuomintang party over the election for the presidency.

The weighted index edged forward 3.17 to 4,926.20 in turnover of T$17.2bn.

SINGAPORE chalked up modest gains in dull trading. Some buying of bank shares came in the wake of better than expected 1991 earnings from DBS Bank. The Straits Times Industrial index firmed 3.02 to 1,432.67.

KUALA LUMPUR ended modestly higher after light bargain hunting, but investors were remaining cautious until the year-end company reporting season is over. The KLSE composite index added 2.94 at 586.95.

MANILA climbed in a technical correction, but political uncertainty ahead of the May 11 polls kept volume low. The composite index improved 10.33 to 1,116.71 in combined turnover of 51.1m pesos, against a previous 90.8m.

BANGKOK finished unchanged as losses in large-capital issues offset gains in other sectors. The SET index was just 0.28 up at 797.90 in turnover of Bt3.22bn, the smallest in two months.

Bangkok Land lost Bt4 to Bt208 and Bangkok Bank also shed Bt4, to Bt684.

BOMBAY retreated from Monday's record high after state-owned investment houses sold heavily to cool what they saw as an overheated market. The BSE index fell to 3,261.00 before closing at 3,316.03, down a net 231.58.

EUROPE

Frankfurt takes dividend cuts in its stride

FRANKFURT took dividend cuts by two big chemical companies in its stride while the upswing in Paris gathered momentum, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Mar 10

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1167.71	1166.87	1166.85	1167.58	1167.56	1168.31	1168.67	1169.22

Day's High 1169.22 — Day's Low 1166.18

Mar 9	Mar 6	Mar 5	Mar 4	Mar 3
1165.45	1162.10	1169.56	1176.33	1176.44

Base value 1000 (26/10/90).

PARIS approached 2,000 as its current favourites continued to rise. The CAC-40 index rose 17.60 to 1,993.38 in turnover of FFr2.23bn but dealers expected the final figure to be swelled by orders booked after the close.

Euro Disney closed at an all-time high of FFr164.30, up FFr2.80, as overnight orders from the US were executed.

Elf fell another FFr3 to FFr366.90 as the government placed its 2.3 per cent stake, but news that the international tranche was already oversubscribed by yesterday morning indicated that the stock would rebound soon.

Chargeurs, popular last week on reports that BSkyB would soon be in profit, rose FFr54 or 4.6 per cent to FFr1,218 on confirmation that the satellite television company was breaking even early in March. There were reports that analysts were raising their estimates of Chargeurs' net asset value.

One of the day's biggest losers was Printemps which fell FFr45 or 5.1 per cent to FFr835 after a French court rejected a demand by its minority shareholders that Pinault should extend its two-thirds bid for the department store group to 100 per cent.

FRANKFURT continued its consolidation, unmoved by dividend cuts from BASF and Hoechst. In fact, shares in the two chemicals companies rose by DM1.90 and 50 pfg respectively, to DM249.50 and DM256.20.

The FAZ index rose 0.97 to 711.52 at midsession, and the DAX index put on 0.29 to 1,750.54 at the close. Volume rose from DM5bn to DM5.9bn.

Ms Wendy Anderson at County NatWest said that BASF was heavily exposed to areas of overcapacity in the industry, and that its results indicated a final quarter fall in profits from DM410m to DM150m. Final quarter profits at Hoechst, with a better product profile, were likely to have fallen from DM764m to DM540m.

The shipbuilder and engineer Bremer Vulkan rose DM2 to DM83.30 on nearly doubled 1191 net profits, and news that it would be buying two of the largest shipyards in east Germany.

MILAN steadied after its recent fall on short-covering ahead of Thursday's expiry of monthly options. The Comit index lost just 0.08 to 512.73 but turnover remained thin, estimated at L70bn after L60.5bn.

Shares in Bonifiche Siele, the holding company of Banca Nazionale dell'Agricoltura (BNA), Italy's second largest private sector bank, plummeted L5,100 or 15 per cent to L29,000 in thin trading. The stock was re-admitted on Monday after an investigation by Consob.

Generali advanced L95 to L29,650 before it posted a 15.1 per cent increase in parent company premium income for 1991. Eridania rose L80 to L6,780 after pleasing the market with a 15 per cent rise in 1991 operating profits.

ZURICH rose, with foreign investors balancing a local preference for high-yielding, money market instruments. The all-share SPI index rose 2.7 to 1,135.5.

Surveillance, the product and resource inspection group, fell SFr160 to SFr7,890. Late on Monday it followed the latest fashion with five-for-one share split, but the market was disappointed with a rise of just 3 per cent in 1991 net profits.

AMSTERDAM continued to focus on the brewing sector while the rest of the market was mixed to lower. The CBS Tendency Index eased 0.1 to 127.8 in light turnover of Fl 456.6m.

Heineken and Grolsch rose to to new all-time highs. Grolsch, which reports its 1991 results today, gained Fl 5.50 to Fl 204.00 while Heineken, which reported last week, gained Fl 1.70 to Fl 179.00.

BRUSSELS closed mostly higher although Solvay moved against the trend. The Bel-20 Index rose 7.50 to 1,209.34, Solvay easing BFr100 to BFr12,300 in volume of 3,875 shares, while SGB gained another BFr10 to BFr2,215.

STOCKHOLM scored its tenth consecutive gain, although the Affärsvärlden General index closed just 2.2 higher at 991.5, lifted by hopes of improved company profits in 1993 and the gradual scrapping of restricted shares which foreigners may not own.

However Sandvik, the steel tools group, saw its B shares SKr1 lower at SKr395, on a drop in 1991 net profits from SKr2.69bn to SKr1.92bn, and in spite of its own decision to remove share ownership restrictions.

HELSINKI staged a rebound after falling for the previous 11 trading days, and dealers expected a continued uptrend in anticipation of Finland's entry into the EC. The Hex index rose 7.8 to 866.9.

SOUTH AFRICA

JOHANNESBURG remained restricted before next week's referendum. The all-gold index rose to 1,195 on firmer bullion prices before closing 1 lower at 1,189. The industrial index rose 29 to 4,399 and the all-share index put on 20 to 3,560.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY MARCH 10 1992: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 9 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	144.71	+0.4	125.06	121.48	125.79	127.19	+0.4	4.34	144.15	124.04	120.24	124.64	128.66	160.31	112.74	131.86
Austria (20)	172.05	−0.2	148.69	144.43	149.56	149.04	+0.0	1.94	172.45	148.39	143.84	149.10	149.05	222.37	153.86	211.70
Belgium (46)	138.16	−0.1	119.40	115.97	120.10	117.04	+0.2	5.04	138.34	119.04	115.38	119.61	118.85	151.20	118.04	150.12
Canada (115)	132.44	+0.1	114.46	111.17	115.12	114.60	+0.3	3.24	132.36	113.88	110.39	114.43	114.29	144.28	126.49	140.66
Denmark (36)	239.48	−0.3	206.96	201.03	208.17	210.98	+0.2	1.70	240.22	206.70	200.38	207.69	210.48	273.94	217.74	262.41
Finland (15)	79.30	−0.3	68.54	66.57	68.94	75.58	−0.5	2.24	79.57	68.46	66.37	68.79	75.96	125.15	73.32	120.86
France (108)	154.43	+0.2	133.47	129.63	134.23	137.54	+0.7	3.23	154.13	132.63	128.55	133.25	136.60	156.43	119.11	147.57
Germany (65)	118.61	−0.3	102.50	99.58	103.10	103.10	+0.2	2.21	119.00	102.40	99.27	102.89	102.89	125.35	94.15	118.86
Hong Kong (55)	204.40	+1.5	176.65	171.58	177.68	203.45	+1.5	3.79	201.30	173.22	167.90	174.05	200.35	205.86	119.62	148.00
Ireland (18)	159.72	−0.2	138.03	134.07	138.83	141.05	+0.4	3.62	160.00	137.67	133.45	138.33	140.56	182.48	132.88	160.39
Italy (77)	71.02	−0.3	61.38	59.62	61.74	66.45	+0.2	3.49	71.20	61.27	59.39	61.56	66.30	88.23	64.76	84.68
Japan (473)	110.72	−1.1	95.69	92.94	96.26	92.94	−0.4	0.92	111.92	96.30	93.35	96.77	93.35	146.97	110.72	141.81
Malaysia (68)	239.11	+0.4	206.64	200.71	207.84	235.65	+0.4	2.80	238.20	204.96	198.67	205.94	234.67	250.18	189.18	244.11
Mexico (18)	1683.35	−0.1	1454.81	1413.09	1463.29	5633.74	−0.1	1.00	1685.50	1450.32	1405.84	1457.27	5640.00	1789.77	534.45	682.72
Netherland (31)	149.61	−0.4	129.29	125.59	130.05	128.40	+0.1	4.29	150.24	129.27	125.31	129.90	128.29	156.48	125.70	142.80
New Zealand (14)	45.44	+1.4	39.27	38.15	39.50	43.98	+1.2	6.25	44.82	38.58	37.38	38.75	43.45	54.64	41.18	46.95
Norway (24)	163.50	−2.1	141.30	137.25	142.13	145.25	−1.6	1.74	166.99	143.69	139.28	144.38	147.61	223.24	157.08	215.61
Singapore (38)	202.95	+0.7	175.39	170.37	176.41	155.58	+0.7	2.18	201.60	173.47	168.15	174.30	154.50	228.43	151.83	201.88
South Africa (61)	217.11	+1.3	187.63	182.25	188.72	178.08	+0.6	2.83	214.26	184.36	178.70	185.24	177.08	271.99	173.00	206.05
Spain (52)	154.69	−0.2	133.69	129.86	134.46	123.57	+0.4	4.82	154.94	133.32	129.23	133.95	123.13	171.12	131.51	170.74
Sweden (25)	181.80	−0.4	157.12	152.61	158.04	162.89	−0.1	2.78	182.51	157.05	152.23	157.80	162.98	204.12	146.60	199.33
Switzerland (59)	97.37	−0.5	84.15	81.74	84.65	91.60	+0.2	2.18	97.86	84.21	81.63	84.62	91.48	104.22	82.17	97.20
United Kingdom (233)	176.49	+0.5	152.53	148.14	153.41	152.53	+1.0	4.88	175.56	151.05	146.40	151.76	151.05	187.44	156.27	184.28
USA (523)	166.32	+0.5	143.74	139.62	144.58	166.32	+0.5	2.94	165.52	142.42	138.06	143.11	165.52	171.66	125.95	149.81
Europe (809)	143.93	+0.1	124.39	120.82	125.12	125.44	+0.6	3.86	143.79	123.72	119.93	124.32	124.72	151.52	125.50	148.86
Nordic (100)	173.34	−0.5	149.81	145.51	150.68	148.61	−0.1	2.17	174.28	149.96	145.36	150.68	148.77	200.81	155.55	195.94
Pacific Basin (717)	114.91	−0.8	99.31	96.47	99.89	97.09	−0.3	1.28	115.88	99.71	96.65	100.19	97.35	145.92	114.91	141.32
Euro − Pacific (1526)	126.77	−0.4	109.55	106.41	110.19	108.02	+0.1	2.45	127.29	109.53	106.16	110.05	108.89	147.68	121.29	144.78
North America (638)	164.17	+0.5	141.88	137.83	142.73	162.80	+0.5	2.96	163.41	140.61	136.31	141.31	162.03	169.69	125.91	149.16
Europe Ex. UK (576)	124.02	−0.2	107.18	104.13	107.83	109.63	+0.3	3.13	124.29	106.95	103.69	107.48	109.31	129.80	103.58	127.32
Pacific Ex. Japan (244)	156.32	+0.9	135.10	131.25	135.90	139.53	+0.9	3.85	154.97	133.35	129.28	134.00	138.30	158.16	111.40	134.71
World Ex. US (1720)	128.95	−0.4	111.45	108.26	112.10	111.26	+0.1	2.47	129.42	111.36	107.95	111.90	111.13	148.16	122.32	145.54
World Ex. UK (2010)	137.17	−0.1	118.55	115.16	119.25	125.78	+0.2	2.39	137.30	118.14	114.52	118.72	125.55	150.58	120.06	142.11
World Ex. So. Af. (2182)	140.11	+0.0	121.09	117.63	121.81	127.84	+0.3	2.66	140.17	120.61	116.92	121.20	127.50	153.05	122.92	145.46
World Ex. Japan (1770)	157.66	+0.4	136.25	132.36	137.07	148.55	+0.5	3.30	157.08	135.16	131.03	135.83	147.77	161.90	126.69	149.39
The World Index (2243)	140.59	+0.0	121.50	118.02	122.22	128.29	+0.3	2.66	140.62	121.00	117.29	121.59	127.95	158.70	128.28	145.85